

OSLER,
HOSKIN &
HARCOURT

BARRISTERS AND SOLICITORS • PATENT AND TRADEMARK AGENTS •

September 29, 1986

6-2754039

No. _____
Date OCT 2 1986
Fee \$ 10.00
ICC Washington, D.C.

Ms. Heather Gradison
Chairman
Interstate Commerce Commission
12th and Constitution Avenue N.W.
Washington, D.C.
20423 U.S.A

15059
RECORDATION NO. _____ Filed & Recorded

OCT 2 1986 3-2 0 PM

INTERSTATE COMMERCE COMMISSION

Dear Ms. Gradison:

I have enclosed two notarial copies of the document described below, to be recorded pursuant to section 11303 of Title 49 of the U.S. Code.

This document is a supplemental debenture dated September 18, 1986 and as regards the railroad cars mortgaged therein, is the first document effecting a mortgage on such railroad cars by Bank of Montreal. The names and addresses of the parties to the document are as follows:

Mortgagor: Alberta Gas Chemicals Ltd.
3rd Floor
11456 Jasper Avenue
Edmonton, Alberta
T5K 0M1 CANADA

Mortgagee: Bank of Montreal
10199-101st Street
Edmonton, Alberta
T5J 3Y5 CANADA

TOO OFFICE OF
THE SECRETARY
OCT 2 3 13 PM '86
MOTOR OPERATING UNIT

Included in the property covered by the aforesaid supplemental debenture are railroad cars intended for use related to interstate commerce or interests therein owned by Alberta Gas Chemicals Ltd. at the date of said mortgage or thereafter acquired by it or its successors as owners of the railroad cars covered by the mortgage. The AAR car type of the railroad cars set forth in Schedule 5 to the aforementioned supplemental debenture is T108. A fee of \$10.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Osler, Hoskin & Harcourt, P.O. Box 50, 1 First Canadian Place, Toronto, Ontario, Canada, M5X 1B8, Attention: D.G. Gilchrist.

REPLY TO:
P.O. Box 50
First Canadian Place
Toronto, Ontario
Canada M5X 1B8
Telephone (416) 362-2111
Telex 06-22457 Carthos
Telecopier (416) 862-8017

OTTAWA OFFICE
Suite 1400
50 O'Connor Street
Ottawa, Ontario
Canada K1P 6L2
Telephone (613) 235-7234
Telex 053-3323 Hetol
Telecopier (613) 235-2867

PAGE 2

A short summary of the document to appear in the index follows:

A supplemental debenture between Alberta Gas Chemicals Ltd., 11456 Jasper Avenue, Edmonton, Alberta, Canada, T5K 0M1 as mortgagor and Bank of Montreal, 10199-101st Street, Edmonton, Alberta, Canada, T5J 3Y5 as mortgagee dated September 18, 1986 covering the following railroad cars and any railroad cars hereafter acquired by Alberta Gas Chemicals Ltd.:

<u>Quantity</u>	<u>Acquired</u>	<u>Make</u>	<u>Road Numbers</u>	<u>AAR Car Type Code</u>
48	September 1, 1978	Procor	AGCX 10000 - AGCX 10031 AGCX 10033 - AGCX 10044 AGCX 10046 - AGCX 10049	T108
176	November 1, 1981	Hawker Siddley	AGCX 10050 - AGCX 10079 AGCX 10081 - AGCX 10117 AGCX 10119 - AGCX 10120 AGCX 10122 - AGCX 10133 AGCX 10135 - AGCX 10229	T108

Yours very truly

Donald Gilchrist

Donald G. Gilchrist

Interstate Commerce Commission

Washington, D.C. 20423

10/3/86

OFFICE OF THE SECRETARY

Donald G. Gilchrist
Osler, Hoskin & Harcourt
P.O.Box 50
1 First Canadian Place
Toronto, Ontario, Canada, M5X 1B8

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 10/2/86 at 3:20pm, and assigned re-recording number(s). 15059

Sincerely yours,

Noreta R. McGee
Secretary

Enclosure(s)

SE-30
(7/79)

CANADA)

PROVINCE OF ONTARIO)

TO WIT:)

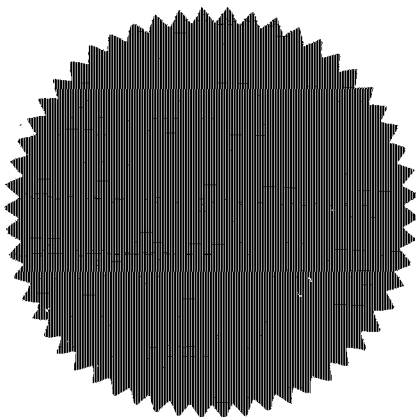
RECORDATION NO. 15059 Filed & Recorded

OCT 2 1986 3-2 0 PM

INTERSTATE COMMERCE COMMISSION

I, DONALD G. GILCHRIST, a Notary Public in and for the Province of Ontario, by Royal Authority duly appointed, residing at the City of Toronto, in the Municipality of Metropolitan Toronto, in the said Province of Ontario, do certify that the paper writing hereto annexed is a true, complete and identical copy of a document produced and shown to me and purporting to be the Supplemental Indenture dated September 18, 1986 executed by Alberta Gas Chemicals Ltd. in favour of Bank of Montreal the said copy having been compared by me with the said original document, an act whereof being requested I have granted the same under my notarial form and seal of office to serve and avail as occasion shall or may require.

IN TESTIMONY WHEREOF I have hereunto set my hand and affixed my notarial seal at the City of Toronto, this 26th day of September, 1986 .



D. G. Gilchrist

A Notary Public in and for
the Province of Ontario

OCT 2 1986 3-2 0 PM

SUPPLEMENTAL DEBENTURE

INTERSTATE COMMERCE COMMISSION

WHEREAS by virtue of a Debenture (hereinafter referred to as the "Principal Debenture") dated January 27, 1981 ALBERTA GAS CHEMICALS LTD., a corporation duly incorporated under the laws of the Province of Alberta (hereinafter referred to as the "Company") covenanted and agreed to pay to the BANK OF MONTREAL, a chartered bank constituted under the Bank Act of Canada (hereinafter referred to as the "Bank") the principal amount of \$165,000,000 with interest thereon and as otherwise provided in the credit agreement between the Company and the Bank dated January 27, 1981 (the "Credit Agreement");

AND WHEREAS the Principal Debenture was registered or filed in the offices and jurisdictions and under the numbers listed in the First Schedule hereto against, inter alia, the lands described in the Second Schedule hereto;

AND WHEREAS by an agreement dated September 18, 1986 (the "Amended Credit Agreement") the Bank and the Company have agreed to amend and restate the Credit Agreement to reschedule the repayment of the Company's indebtedness thereunder to the Bank by extending the time for payment and providing for repayment out of cash flows;

AND WHEREAS the Bank has agreed to provide in the Amended Credit Agreement for the inclusion therein of the Company's existing production loan facility and operating and letter of credit facility;

AND WHEREAS the Bank has agreed to the Amended Credit Agreement a copy of which is hereunto annexed and initialled by the Company and the Bank on the condition that all of the indebtedness thereunder be secured by the Principal Debenture as amended and restated hereby and that this Supplemental Debenture be issued to provide for additional security in favour of the Bank to secure the Company's obligations under the Credit Agreement as amended and restated by the Amended Credit Agreement;

NOW THEREFORE in consideration of the Bank entering into the Amended Credit Agreement and the premises and the covenants and agreements hereinafter set forth and for value received by the Company, the receipt and sufficiency of which consideration is hereby acknowledged by the Company, the Company hereby covenants with the Bank as follows:

1. The Supplemental Debenture is an indenture supplemental to the Principal Debenture. The Principal Debenture and this Supplemental Debenture shall henceforth be read and construed as though all of the provisions thereof and hereof respectively were incorporated in a single instrument; provided that

references to the Credit Agreement in the Principal Debenture shall be read as referring to the Credit Agreement as amended and restated by the Amended Credit Agreement; the "Mortgaged Property" referred to in Paragraph 2 hereof shall be "mortgaged property" for the purposes of sections 10 and 14 of the Principal Debenture; the reference in subsection 11(a) of the Principal Debenture to "an Event of Default referred to in Section 22 of the Credit Agreement" shall be read as a reference to "an Event of Default referred to in Section 7.01 of the Amended Credit Agreement"; and the reference in section 12 of the Principal Debenture to the "first floating charge herein contained" shall also be a reference to the fixed and floating charges and assignments provided for in Paragraph 2 hereof.

2. As further security for the due payment of the principal sum and interest and all other monies from time to time owing pursuant to the terms of the Amended Credit Agreement and the performance of the obligations of the Company therein and in the Principal Debenture and herein contained, but subject to the exceptions as to leaseholds in the Principal Debenture and herein contained, the Company hereby:

(a) Mortgages and charges as and by way of a fixed and specific mortgage and charge to and in favour of the Bank, its successors and assigns, all of its right, title and interest in;

(i) the equipment and machinery described in the Third Schedule hereto, including all supplies of catalysts used or stored by the Company at the lands and premises described in the Second Schedule hereto;

(ii) the inventories of the Company, including any inventory from time to time situate on the lands and premises described in the Fourth Schedule hereto or contained in any rail tank cars referred to in Subparagraph 2(a)(iii) hereof;

(iii) any and all rail tank cars now owned or hereafter acquired, including those described in the Fifth Schedule hereto;

(iv) all petroleum, natural gas and hydrocarbons found in and upon the areas set forth in the Sixth Schedule hereto;

(v) all rights, licences, agreements, leases and permits now owned or hereafter acquired by the Company to obtain and remove petroleum, natural gas and hydrocarbons, including those set forth in the Seventh Schedule hereto;

(vi) the property, personal or real, described and referred to in the Eighth Schedule annexed hereto and all buildings, improvements, erections, fixtures, fixed machinery, fixed equipment and fixed plant now upon such property or any part thereof or which may at any time be constructed or brought or placed thereon, and used in connection therewith (whether the same form part of the realty or not);

provided, however, that the fixed and specific charges contained in Subparagraph 2(a)(ii) shall in no way hinder or prevent the Company, until the earlier of notice to the contrary from the Bank and the security constituted hereby becoming enforceable and the Bank having determined to enforce the same, from selling, disposing or dealing with the subject matter of the fixed and specific charges contained in Subparagraph 2(a)(ii) in the ordinary course of business and for the purpose of carrying on the same;

(b) Mortgages and charges as and by way of a floating charge, all of its undertaking, property and assets, real and personal, immoveable and moveable, both present and future, now owned or hereafter acquired, of whatsoever nature and kind (to the extent that such property and assets are not subjected to the fixed and specific mortgages, charges and assignments of this Supplemental Debenture);

provided, however, that such floating charge shall in no way hinder or prevent the Company, until the security hereby constituted shall have become enforceable and the Bank shall have determined to enforce the same, from selling, alienating, leasing, subleasing, re-leasing, assigning, disposing of and dealing with the subject matter of such floating charge in the ordinary course of business and for the purpose of carrying on the same;

(c) as legal or beneficial owner as the case may be and without limiting the effect of the preceding Paragraphs 2(a) and (b) hereof hereby assigns and transfers to the Bank

(i) all of the Company's rights under a licence agreement between the Company and Imperial Chemical Industries PLC dated May 4, 1973 and March 24, 1981 and the rail car leases described in the Eighth Schedule hereto (the "Assigned Contracts");

(ii) all other benefits of the Assigned Contracts including, without prejudice to the generality of the foregoing, the right to give such notices and to take such action under such contracts as may be necessary to cause any sums of money which will or may be paid to or become payable to the Company under such contract to become payable to the Bank; and

(iii) the right to pursue any action, proceeding, suit or arbitration arising in relation to any of the rights assigned to the Bank pursuant to this Paragraph 2(c) and to enforce such rights and contracts in the name of the Company or of the Bank;

all of the property and assets of the Company described in the foregoing provisions of this Paragraph 2 being hereinafter collectively referred to as the "Mortgaged Property".

TO HAVE AND TO HOLD the Mortgaged Property and all rights hereby conferred unto the Bank, its successors and assigns, forever, for the uses and purposes and with the powers and authorities and subject to the terms and conditions in the Principal Debenture and herein set forth.

The last day of the term of each lease, verbal or written, or any agreement therefor, now held or hereafter acquired by the Company as part of the Mortgaged Property, is hereby and shall be excepted out of the mortgages, charges and assignments hereby intended to be created and does not and shall not form part of the Mortgaged Property, but the Company shall stand possessed of the reversion remaining in the Company of any leasehold interest forming part of the Mortgaged Property upon trust for the purposes of the Principal Debenture as supplemented

and amended by this Supplemental Debenture and to assign and dispose of the same as the Bank shall, for such purposes, direct. Upon any sale or sales of such leasehold interest or any part thereof, the Bank, for the purpose of vesting the aforesaid residue of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other person or persons a new trustee or trustees of the aforesaid residue of any such term or renewal thereof in the place of the Company and to vest the same accordingly in the new trustee or trustees so appointed free and discharged from any obligation respecting the same.

3. The Principal Debenture, as supplemented and amended by this Supplemental Debenture, and the mortgages and charges created and provided thereby are hereby ratified, confirmed and preserved in all respects.

4. The Supplemental Debenture shall enure to the benefit of and be binding upon the Bank, its successors and assigns, and upon the Company, its permitted successors and assigns.

5. This Supplemental Debenture shall bear the formal date of September 18, 1986, being the actual date of the execution hereof.


6. This Supplemental Debenture shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

7. The Company shall from time to time when so directed by the Bank execute, acknowledge and deliver by its proper officers indentures, deeds and documents supplemental hereto which shall thereafter form part hereof and do and perform any and all other acts and things for the purpose of mortgaging and charging in favour of the Bank as part of the security, the right, title and interest of the Company in and to all property mortgaged, charged or pledged to the Bank under the Principal Indenture as supplemented and amended by this Supplemental Debenture and for the purpose of perfecting such mortgages and charges.

IN WITNESS WHEREOF the Company has caused its corporate seal to be affixed duly attested by its proper officers in that behalf, the 18th day of September, 1986.

ALBERTA GAS CHEMICALS LTD.

Per: 
Senior Vice President

Per:  c/s
Vice President Finance

SCHEDULE 1

	<u>Office</u>	<u>Jurisdiction</u>	<u>Date</u>	<u>Number</u>
1.	Land Titles	Alberta	February 24, 1981	81103339
2.	Central Registry	Alberta	January 28, 1981	117271
3.	Corporate Registry	Alberta	January 28, 1981	--

SCHEDULE 2

The south west quarter of Section fourteen (14), in Township Thirteen (13), Range Six (6), West of the Fourth Meridian, containing 64.7 hectares (160 acres) more or less.

Excepting:

<u>Plan</u>	<u>Number</u>	<u>Hectares</u>	<u>Acres</u>
Subdivision	8010307	0.579	1.43

Reserving unto Her Majesty all mines and minerals

SCHEDULE 3

NIL

SCHEDULE 4

1. 3806 Bay Springs Road, Medicine Hat, Alberta
2. 1995 1st Street West, North Vancouver, British Columbia
3. 1000 Rue McArthur, Valleyfield, Quebec
4. 64 Arrow Road, Weston, Ontario

SCHEDULE 5

<u>Quantity</u>	<u>Acquired</u>	<u>Make</u>	<u>Road Numbers</u>
48	September 1, 1978	Procor	AGCX 10000 - AGCX 10031 AGCX 10033 - AGCX 10044 AGCX 10046 - AGCX 10049
176	November 1, 1981	Hawker Siddley	AGCX 10050 - AGCX 10079 AGCX 10081 - AGCX 10117 AGCX 10119 - AGCX 10120 AGCX 10122 - AGCX 10133 AGCS 10135 - AGCX 10229

SCHEDULE 6

NIL

SCHEDULE 7

NIL

SCHEDULE 8

NIL

AMENDED CREDIT AGREEMENT

DATED SEPTEMBER 18, 1986

ALBERTA GAS CHEMICALS LTD.

- and -

BANK OF MONTREAL

**OSLER, HOSKIN & HARCOURT
P.O. Box 50
First Canadian Place
Toronto, Ontario
M5X 1B8**

A handwritten signature or set of initials, possibly "Hos", written in dark ink in the bottom right corner of the page.

AMENDED CREDIT AGREEMENT made the 18th day of
September, 1986.

B E T W E E N:

ALBERTA GAS CHEMICALS LTD., a corporation
incorporated under the laws of Alberta,

(herein called the "Company")

OF THE FIRST PART

- and -

BANK OF MONTREAL, a Canadian chartered bank,

(herein called the "Bank")

OF THE SECOND PART

WHEREAS the Company owns and operates three methanol
manufacturing facilities located at Medicine Hat, Alberta;

AND WHEREAS the parties entered into a term credit
agreement made the 27th day of January, 1981 (the "Term Credit
Agreement") wherein the Bank agreed to provide a term credit
facility to the Company, of which \$90,600,000 is owing and
outstanding at the date hereof;

AND WHEREAS the Bank has provided a production loan
facility to the Company by letters dated December 19, 1983,
October 30, 1984 and April 29, 1985, of which \$4,181,818.22 is
owing and outstanding at the date hereof;

AND WHEREAS the Bank has provided a \$10,000,000 operating facility to the Company by letter dated April 8, 1982;

AND WHEREAS the parties have agreed to amend the term facility, the production facility and the operating facility on the terms hereinafter set forth;

AND WHEREAS the Company has agreed that the security previously given by it to secure its obligations under the term facility, the production facility or the operating facility shall continue in full force and effect to secure its obligations thereunder, as amended hereby, and to provide additional security to secure such obligations as hereinafter described;

AND WHEREAS the Company has been released from its obligations under the completion agreement dated March 4, 1982 with a syndicate of banks in connection with the indebtedness of Petralgas Chemicals N.Z. Limited ("Petralgas");

AND WHEREAS in connection with the release of such obligations the Company has agreed to modify or terminate at the request of Petralgas and Petroleum Corporation of New Zealand Limited ("Petrocorp") certain project agreements in connection with the operation of the methanol plant of Petralgas near Waitara, Taranaki, New Zealand (the "Petralgas Plant");

AND WHEREAS in connection with the release of such obligations the Company has agreed to transfer, indirectly, to Petrocorp the shares held by the Company in the capital of Petralgas;

AND WHEREAS but for certain temporary waivers heretofore given by the Bank under the Term Credit Agreement the Company would now be in default of its obligations thereunder;

AND WHEREAS in consideration of the Bank's agreement to restructure the repayment obligations under the Facilities (as hereinafter defined) the Company has agreed to certain other modifications of the terms of the Facilities and to provide additional security;

NOW THEREFORE in consideration of the mutual covenants and agreements contained herein the parties hereto agree with each other to amend the provisions governing the term facility, the production facility and the operating facility to read in their entirety as follows:

ARTICLE 1

DEFINITIONS

1.01 Definitions - In this Agreement and in any certificate, opinion or other document delivered in accordance with or for

the purposes of this Agreement, unless there is something in the subject matter or context inconsistent therewith: ;

(a) "Advance" means a Canadian Dollar Advance or a United States Dollar Advance.

(b) "Arbitration" means in relation to any matter that the Bank and the Company have agreed to arbitrate under this Agreement, a binding determination by an independent expert agreed upon by the Bank and the Company; provided that if the Bank and the Company fail to reach agreement on the selection of an arbitrator, each of them shall select an independent expert who shall make the determination required, and failing their agreement, the independent experts selected by the Bank and the Company shall agree upon another independent expert, who shall make the required binding determination.

(c) "Available Cash Flow" means, on any Term Credit Reduction Date, the amount in Canadian dollars (rounded upward to the nearest thousand) of the Cash Flow for the most recently completed Six Month Fiscal Period plus the Opening Cash Amount less the aggregate of the Working Capital Allocation and the Cash Repayment Amount. The amount of Available Cash Flow shall be determined using the

Bank's noon buying rate for United States Dollars in Toronto on the second Business Day immediately preceding the Term Credit Reduction Date.

(d) "Banker's Acceptance" means an outstanding draft which has been accepted by the Bank hereunder.

(e) "Base Rate" means the rate of interest per annum from time to time established by the Bank as a reference rate of interest for the purposes of determining the rates of interest the Bank will charge on loans denominated in United States Dollars made in Canada to commercial customers of varying degrees of creditworthiness.

(f) "Base Rate Basis" has the meaning assigned in Section 2.10.

(g) "Business Day" means a day upon which the main branches of the Bank in all of Toronto, Ontario; Edmonton, Alberta and, in the case of any action hereunder or the computation of time period in relation to United States Dollar Advance on which interest accrues on the basis of a LIBO Rate, London, England are open for the transaction of business throughout normal local hours.

(h) "Canadian Dollar Advance" means at any time the then outstanding amount of an Advance made by the Bank to the Company hereunder and evidenced by a Note denominated in Canadian Dollars.

(i) "Cash Flow" means, in respect of any Six Month Fiscal Period of the Company, an amount equal to the aggregate of the following amounts, without duplication, for such period:

(i) the net income after income tax and extraordinary items;

(ii) all non-cash deductions, including, without limitation, depreciation, amortization, deferred taxes, reserves and losses arising from the disposition of fixed assets;

(iii) any non-cash extraordinary loss;

(iv) the net decrease in Working Capital, excluding changes:

(A) in short-term loans;

(B) in current maturities of long-term debt;

(C) in cash and cash equivalent assets, including for greater certainty short-term investments and deposits; and

(D) caused by reclassification of assets or liabilities as current or non-current;

(v) the cash proceeds from the disposition of all property, plant and equipment and other non-current assets;

(vi) borrowings, other than borrowings under the Term Credit Facility and the Production Loan Facility;

(vii) the cash proceeds from issuances of equity and of contributions to capital;

(viii) all other cash receipts;

less the aggregate for such period of:

(ix) the net loss after income tax and extraordinary items;

(x) all income items of a non-cash nature, including, without limitation, deferred income and gains arising from the disposition of fixed assets;

(xi) any non-cash extraordinary gain;

(xii) the net increase in Working Capital, excluding changes:

(A) in short-term loans;

(B) in current maturities of long-term debt;

(C) in cash and cash equivalent assets, including for greater certainty short-term investments and deposits; and

(D) caused by reclassification of assets or liabilities as current or non-current;

(xiii) cash outlays for capital expenditures;

(xiv) the amount of any dividends paid;

(xv) repayment of borrowings included in Cash Flow for any period pursuant to clause (vi) above provided that, in respect of the Six Month Fiscal Period to end December 31, 1986 there shall be included as borrowings during that period the amount outstanding under the Operating Facility at the commencement of the period;

all as determined in accordance with Canadian generally accepted accounting principles.

(j) "Cash Repayment Amount" means at any time the aggregate amount paid by the Company in the most recently completed Six Month Fiscal Period from Cash Flow to reduce the Company's Liability under the Term Credit Facility and the Production Loan Facility other than rollovers under such facilities.

(k) "Company's Liability" means at any time the aggregate amount of all Advances, Banker's Acceptances and Letters of Guarantee outstanding hereunder plus the amount of all accrued and unpaid interest, fees and other amounts owing by the Company to the Bank pursuant hereto.

(l) "Debenture" means the debenture of the Company in favour of the Bank dated January 27, 1981 as amended and

supplemented by a supplemental debenture in the form annexed hereto as Schedule A and as the same may be hereafter supplemented and amended from time to time.

(m) "Drawdown" means the making, acceptance or issuance of any Advance, Banker's Acceptance or Letter of Guarantee, respectively, pursuant to this Agreement.

(n) "Drawdown Date" means the Business Day on which a Drawdown is to take place, as specified in the Notice of Borrowing.

(o) "Event of Default" has the meaning assigned in Section 7.01.

(p) "Facilities" means the Term Credit Facility, the Production Loan Facility and the Operating Facility and "Facility" means any one of them.

(q) "Guarantee" has the meaning assigned in Subsection 5.01(a)(iii).

(r) "Letter of Guarantee" means an outstanding guarantee or letter of credit issued by the Bank and which may be issued pursuant to Section 4.02.

(s) "LIBO Basis" has the meaning assigned in Section 2.10.

(t) "LIBO Rate" means the rate of interest per annum (calculated on the basis of a 360 day year) at which deposits are offered by the Bank to prime banks in the London Interbank Market at approximately 11:00 a.m. (London time) on the second Business Day immediately preceding the relevant Drawdown Date in the amount and for the period requested by the Company in accordance herewith.

(u) "Methanol Plants" means the Company's three existing methanol manufacturing facilities located at Medicine Hat, Alberta.

(v) "Notes" means the presently outstanding promissory notes of the Company evidencing Advances originally issued under the Facilities and any replacement notes issued hereunder, which shall be substantially in the appropriate form set out in Schedule "B" attached hereto.

(w) "Notice of Borrowing" means a notice of borrowing given pursuant to Section 2.06, Section 3.05 or Section 4.08 under the Term Credit Facility, the Production Loan Facility or the Operating Facility, respectively.

(x) "Notice of Early Reduction" means a notice given pursuant to Subsection 2.07(a); and "Notice of Reduction" means a notice given pursuant to Subsection 3.06(a).

(y) "Opening Cash Amount" means

(i) in respect of a Six Month Fiscal period ending on or before December 31, 1988, the amount of all cash and cash equivalent assets of the Company, including for greater certainty short-term investments and deposits, as at the commencement of the most recently completed Six Month Fiscal Period; and

(ii) in respect of a Six Month Fiscal Period ending after December 31, 1988, the Working Capital Allocation for the immediately preceeding Six Month Fiscal Period.

(z) "Operating Facility" means the operating facility provided by the Bank to the Company pursuant to Article 4 hereof.

(aa) "Operating Liability" means, at any time, the aggregate amount of all Advances, Banker's Acceptances and Letters of Guarantee made or issued under the Operating Facility.

(bb) "Prime Rate" means the rate of interest per annum from time to time established by the Bank as a reference rate of interest for the purposes of determining the rates of interest the Bank will charge on loans denominated in Canadian Dollars made in Canada to commercial customers of varying degrees of creditworthiness.

(cc) "Production Loan Facility" means the production loan facility provided by the Bank to the Company pursuant to Article 3 hereof.

(dd) "Production Loan Liability" means, at any time, the aggregate amount of all Advances and Banker's Acceptances made or accepted under the Production Loan Facility.

(ee) "Rollover Day" means with respect to a United States Dollar Advance on the LIBO Basis,

(i) the last day of the period commencing on (and including) the Drawdown Date for such Advance or the effective date of change of such Advance to the LIBO Basis and ending on a date which is one, two, three or six months or one, two, three, four or five years thereafter selected by the Company as the basis for determining the applicable LIBO Rate and notified to

the Bank in accordance with Subsection 2.06(h) or Section 2.10, as the case may be, and

(ii) the last day of each subsequent period commencing on (but not including) the immediately preceding Rollover Day and ending on a date which is one, two, three or six months or one, two, three four or five years thereafter selected by the Company or otherwise fixed as the basis for determining the applicable LIBO Rate in accordance with Subsection 2.11(a).

(ff) "Security" has the meaning assigned in Section 5.01.

(gg) "Six Month Fiscal Period" means a period of six months either commencing on the first day of the Company's fiscal year or ending on the last day of the Company's fiscal year.

(hh) "Term Credit Facility" means the term credit facility provided by the Bank to the Company pursuant to Article 2 hereof.

(ii) "Term Credit Liability" means, at any time, the aggregate amount in Canadian dollars of all Advances and Banker's Acceptances made or accepted under the Term Credit Facility, determined in the case of U.S. Dollar Advances

using the Bank's noon buying rate for United States Dollars in Toronto on the second Business Day immediately preceding the date for which the Term Credit Liability is to be determined.

(jj) "Term Credit Reduction Date" means for the purposes of the Term Credit Facility, March 31 and September 30 in each year commencing March 31, 1987 to and including September 30, 1995;

(kk) "Term Reduction Notice" has the meaning assigned in Section 2.05.

(ll) "United States Dollar Advance" means, at any time, the then outstanding amount of an Advance made by the Bank to the Company hereunder and evidenced by a Note denominated in United States Dollars.

(mm) "Working Capital" means the difference between current assets of the Company (determined at the lower of their cost or fair market value) and the current liabilities of the Company (including, for greater certainty, the current portion of long term debt).

(nn) "Working Capital Allocation" means, for the purpose of calculating Available Cash Flow, such amount as may be approved by the Bank from time to time, based on a forecast of working capital requirements for the relevant Six Month Fiscal Period provided by the Company in detail satisfactory to the Bank at least 20 and not more than 25 days prior to the relevant Term Credit Reduction Date, reduced by the amount available under the Operating Facility at the end of the previous Six Month Fiscal Period.

ARTICLE 2

TERM CREDIT FACILITY

2.01 Facility Continued - The Bank agrees, on the terms and conditions hereinafter set forth, to continue to make available the Term Credit Facility in favour of the Company in the amount of \$90,600,000 (Canadian), which facility has been drawn down in full by the Company. The Company may avail itself of the Term Credit Facility by way of Canadian Dollar Advances, United States Dollar Advances or Banker's Acceptances or any combination thereof. Advances shall be in whole multiples of \$500,000 in the relevant currency. Banker's Acceptances under the Term Credit Facility shall be in whole multiples of Canadian \$100,000 and shall have a term of between 10 and 180 days and shall be denominated in Canadian Dollars. The Company may from time to time change:

(a) the form of part or all of the Term Credit Liability from an Advance to a Banker's Acceptance and vice versa;

(b) part or all of a United States Dollar Advance to a Canadian Dollar Advance and vice versa; and

(c) the basis upon which interest is calculated on part or all of a United States Dollar Advance from the Base Rate Basis to the LIBO Basis and vice versa;

all in accordance with Subsection 2.06(b) and Sections 2.09 and 2.10, respectively.

2.02 Interest Rates - The Company shall pay interest on Advances as follows:

(a) Canadian Dollar Advances - With respect to Canadian Dollar Advances, at a floating rate of interest per annum equal from time to time to the sum of the Prime Rate and three-quarters of one percentage point; and

(b) United States Dollar Advances - With respect to each United States Dollar Advance, at the option of the Company, either

(i) at a floating rate of interest per annum equal from time to time to the sum of the Base Rate and three-quarters of one percentage point; or

(ii) at a rate of interest per annum equal from time to time to the sum of the one, two, three or six month or, subject to availability, one, two, three, four or five year (at the Company's option) LIBO Rate and one percentage point.

2.03 Accrual and Payment of Interest - Interest shall continue to accrue on each Advance from the Drawdown Date of such Advance (whether before or after September 18, 1986) and shall be payable on the last Business Day of each month, commencing on the last Business Day of the month in which such Drawdown Date occurs, until all amounts owing hereunder with respect to such Advance have been paid. In the event of failure by the Company to pay any sum on the date on which such sum is expressed to be due and payable pursuant to this Agreement, the Company shall, on the last Business Day of each month, commencing on the last Business Day of the month in which such sum is due, pay interest to the Bank on such sum (whether principal, interest or other amount) from the date of such failure up to the date of actual payment (as well after as before judgment). Interest shall be payable in the currency or currencies in which it

accrues at the main branch of the Bank at Edmonton, shall accrue from day to day, and shall be computed

(a) with respect to that part of the liability of the Company to the Bank hereunder which is denominated in Canadian Dollars, at the interest rate for Canadian Dollar Advances specified in subsection 2.02(a) and on the basis of the actual number of days elapsed and the number of days in the calendar year in which each such elapsed day falls; and

(b) with respect to that part of the liability of the Company to the Bank hereunder which is denominated in United States Dollars,

(i) in the case of an Advance or interest thereon, at the interest rate applicable to such Advance, and

(ii) in the case of any other amount, at the Base Rate,

and on the basis of the actual number of days elapsed and a 360 day year.

2.04 Banker's Acceptance Fees - Upon acceptance of a draft by the Bank under this Article 2, the Company shall pay to the Bank a fee calculated as follows:

(a) Multiply the face amount of the draft by three-quarters of one percentage point.

(b) Multiply the result obtained in Subsection (a) by the number of days from (and including) the date of acceptance of such draft by the Bank to (and including) the maturity date of such draft.

(c) Divide the result obtained in Subsection (b) by 365.

2.05 Reduction of the Term Credit Liability - Subject as hereinafter provided in this Section 2.05, the Term Credit Liability shall be reduced on each Term Credit Reduction Date by the application, prior to and on March 31, 1989, of 100% of Available Cash Flow, and thereafter to and including September 30, 1995, of 75% of Available Cash Flow. Notwithstanding any other provision of this Agreement, the Company shall extinguish the Company's Liability on or prior to December 31, 1995. Not less than ten nor more than twenty Business Days prior to each Term Credit Reduction Date the Company shall give notice (a "Term Reduction Notice") to the Bank containing in detail

satisfactory to the Bank a statement of the Cash Flow and the Available Cash Flow of the Company as of such Term Credit Reduction Date, certified by two officers of the Company, one of whom shall be the chief financial officer of the Company (or the individual performing that function if the Company does not have a chief financial officer) as having been prepared, to the best of their knowledge, information and belief (without personal liability), in accordance with Canadian generally accepted accounting principles. The Bank may require an Arbitration in respect of the determination of Available Cash Flow, in which case the Company shall reduce the Term Credit Liability according to its calculation of Available Cash Flow as set forth in the Term Reduction Notice, to be adjusted, if necessary, upon completion of such Arbitration. If the Company shall have provided the projections contemplated by the definition of Working Capital Allocation within the time periods therein provided for, and if the Bank shall not have communicated the approved amount to the Company at least 12 days prior to a Term Credit Reduction Date, then the Available Cash Flow shown in the Term Credit Reduction Notice to be delivered hereunder not less than 10 days prior to such Term Credit Reduction Date shall be determined on the basis of the Working Capital Allocation proposed by the Company and shall be adjusted if necessary upon the Bank fixing the approved Working Capital Allocation.

The required reduction in the Term Credit Liability shall be effected on each Term Credit Reduction Date by the application of Available Cash Flow as set forth in the Term Reduction Notice, altered only, if necessary, to give effect to changes occurring after the giving of the Term Reduction Notice in rates of exchange.

The reduction of the Term Credit Liability shall be made in each currency in the proportion which the equivalent amount in Canadian Dollars of Advances and Banker's Acceptances in such currency is of the Term Credit Liability on such Term Credit Reduction Date, as determined two Business Days prior to the Term Credit Reduction Date using the Bank's noon buying rate for United States Dollars in Toronto. When making Drawdowns hereunder, changing the form of any part or all of the Term Credit Liability in accordance with Subsection 2.06(b), making a currency change in accordance with Section 2.09 or changing the basis upon which interest is calculated on a United States Dollar Advance in accordance with Section 2.10, the Company shall ensure that the maturities selected are consistent with the foregoing reduction requirements and with Subsection 2.11(d) and Section 6.05. The reduction in the Term Credit Liability in each currency on each Term Credit Reduction Date required hereunder shall be applied, in the case of United States Dollars to United States Dollar Advances, and, in the case of Canadian

Dollars to Canadian Dollar Advances and to Banker's Acceptances, in the manner set forth in the Term Reduction Notice on such Term Credit Reduction Date. Failing such notice such reduction shall be applied in the manner determined by the Bank. A reduction to be applied to an Advance shall be made by payment to the Bank of the amount of such reduction in the currency of such Advance at the main branch of the Bank in Edmonton. A reduction to be applied to a Banker's Acceptance shall be made either (i) by presentation to the Bank at the same place of evidence satisfactory to the Bank that such Banker's Acceptance has been paid in full by the Company; or (ii) by payment to the Bank at the same place of the face amount of the Banker's Acceptance.

2.06 Drawdowns - Subject to section 2.08, funds shall be advanced and drafts shall be accepted by the Bank at its main branch in Edmonton on any Business Day prior to December 31, 1995 on receipt of a Notice of Borrowing from the Company to the Bank:

(a) for the purpose of making a currency change in accordance with Section 2.09; or

(b) for the purpose of changing, on not more than 30 occasions from and after January 27, 1981, the form of part or all of the Term Credit Liability from an Advance to a

Banker's Acceptance or vice versa, in which case:

(i) the Notice of Borrowing shall so state and shall specify the Advances or Banker's Acceptances which are to be affected by the change,

(ii) if an Advance is to be drawn down to fund repayment of a Banker's Acceptance, the Drawdown Date shall be the maturity date of such Banker's Acceptance and

(iii) if a draft is to be accepted by the Bank to fund reduction of a United States Dollar Advance on the LIBO Basis, the Drawdown Date shall be the relevant Rollover Day for such Advance.

The Notice of Borrowing shall:

(c) specify the Business Day on which the Drawdown is to take place and the principal amount of the proposed Drawdown (which shall be a whole multiple of \$500,000 in Canadian Dollars or United States Dollars, as the case may be);

(d) be irrevocable;

(e) specify whether the Drawdown is to be by way of an Advance or a Banker's Acceptance;

(f) if the Drawdown is to be by way of an Advance, specify whether the Advance is to be a Canadian Dollar Advance or a United States Dollar Advance;

(g) if the Drawdown is to be by way of a United States Dollar Advance, state whether it is to be on the Base Rate Basis or the LIBO Basis;

(h) if the Drawdown is to be by way of a United States Dollar Advance on the LIBO Basis, state whether a one, two, three or six month, or, if available, a one, two, three, four or five year LIBO Rate is selected as the LIBO Rate applicable to such Advance for the corresponding period commencing on (and including) the Drawdown Date; and

shall commit the Company to make such borrowing on the Drawdown Date specified therein subject to the terms and conditions herein set forth. A Notice of Borrowing in respect of a Drawdown described in Subsection 2.06(h) hereof for which a LIBO Rate of one year or longer is selected shall be given to the Bank at least 5 full Business Days prior to the relevant Drawdown Date. All other Notices of Borrowing shall be given to the Bank at

least 3 full Business Days prior to the relevant Drawdown Date. Notwithstanding Section 9.02, a Notice of Borrowing shall not be effective until received by the Bank. If the Company in a Notice of Borrowing selects a LIBO Rate of one year or longer in respect of an Advance described in Subsection 2.06(h) and the Bank, in its absolute discretion, determines that deposits of United States Dollars of the amount and term specified in the Notice of Borrowing are not available to the Bank, the Bank shall notify the Company before 12:00 o'clock noon (Edmonton time) on the third Business Day prior to the Drawdown Date specified in the Notice of Borrowing that the LIBO Rate selected by the Company in the Notice of Borrowing is not available, whereupon the Company shall be permitted, notwithstanding Subsection (d), to withdraw the Notice of Borrowing prior to 12:00 o'clock noon (Edmonton time) on the Business Day prior to the Drawdown Date specified in the Notice of Borrowing and, failing such withdrawal, the Company shall be deemed to have selected the Base Rate Basis in the Notice of Borrowing. If the Company wishes to make a Drawdown in more than one form or currency or on more than one interest rate basis, a separate Notice of Borrowing shall be given in respect of each option selected.

2.07 Early Reduction of the Term Credit Liability - The Term Credit Liability may be reduced at any time without penalty, subject to the following conditions:

(a) The Company shall give the Bank at least 10 days' notice of its intention to make an early reduction (a "Notice of Early Reduction"), designating the Advances or Banker's Acceptances to which the early reduction is to be applied and the date on which it is to be made. A Notice of Early Reduction given to the Bank shall be irrevocable and shall commit the Company to make such reduction on the date therein specified;

(b) The amount of the early reduction shall be a whole multiple of \$500,000 in Canadian Dollars or United States Dollars, as the case may be;

(c) If the early reduction is to be applied to a United States Dollar Advance on the LIBO Basis, the date specified in the Notice of Early Reduction shall be a Rollover Day for such Advance;

(d) If the early reduction is to be applied to a Banker's Acceptance, the date specified in the Notice of Early Reduction shall be the maturity date of such Banker's Acceptance;

(e) Any cost, loss (other than loss of profit) or damages, including without limitation, breakage costs suffered by

the Bank as a result of the prepayment pursuant to this Section 2.07 on a date other than the dates referred to in subsections (c) and (d), shall be for the account of the Company and shall be payable by the Company to the Bank on demand by the Bank.

2.08 Conditions Precedent to Drawdowns under the Term Credit Facility - The obligation of the Bank to advance funds or to accept a draft on any Drawdown Date under the Term Credit Facility is subject to the conditions precedent that on or before such Drawdown Date,

(a) if the Drawdown is to be by way of a Banker's Acceptance, the draft presented for acceptance shall be in the Bank's customary form and the fee provided for in Section 2.04 shall have been paid in full;

(b) the Term Credit Liability after giving effect to the Drawdown shall not exceed the Term Credit Liability as at the immediately preceding Term Credit Reduction Date; and

(c) searches for liens, charges (whether fixed or floating) and encumbrances conducted against the property of the Company subject to the Security shall have revealed no such liens, charges or encumbrances other than the permitted

encumbrances referred to in the schedule to the Debenture and such other liens, charges or encumbrances as may be permitted by the Bank.

For the purposes of determining compliance with condition (b), United States Dollar Advances shall be equated to Canadian Dollars at the Bank's noon buying rate for United States Dollars in Toronto on the second Business Day immediately preceding the Drawdown Date.

2.09 Currency Change - Once during each calendar quarter the Company may give a Notice of Borrowing in accordance with section 2.06 for the purpose of changing part or all of a Canadian Dollar Advance to a United States Dollar Advance or vice versa. A Notice of Borrowing given for this purpose shall, in addition to setting forth the matters referred to in Section 2.06:

(a) state, in substance, that the Notice of Borrowing is given pursuant to this Section 2.09, and

(b) irrevocably direct the Bank to apply the amount to be drawn down to the reduction of the Advance which is denominated in the currency other than the currency in which the Drawdown is to be denominated,

and if the Advance to be reduced is a United States Dollar Advance on the LIBO Basis, the Notice of Borrowing shall specify a Drawdown Date which is the Rollover Day for such Advance. With the exception of Subsection 2.08(c), Section 2.08 shall apply to a Drawdown made pursuant to a Notice of Borrowing given pursuant to this Section 2.09. The change from one currency to another of the funds drawn down shall be made by the Bank at its noon buying rate for the currency in which the Drawdown is to be denominated on the second Business Day immediately preceding the Drawdown Date.

2.10 Change in United States Dollar Advance Interest Rate Basis - Once in any calendar month the Company may elect to change the interest rate basis of a part or all of a United States Dollar Advance from the basis set out in paragraph 2.02(b)(i) (the "Base Rate Basis") to the basis set out in paragraph 2.02(b)(ii) (the "LIBO Basis"), or vice versa, provided that a change in the basis of an Advance from the LIBO Basis to the Base Rate Basis may only be made on a Rollover Day for the Advance. If a change is to be made from the Base Rate Basis to the LIBO Basis, the notice of election given by the Company pursuant to this Section 2.10 shall state whether the one, two, three or six month or one, two, three, four or five year LIBO Rate is selected as the LIBO Rate applicable during the corresponding period commencing on (and including) the effective date

of the change. The Company shall give the Bank at least 5 full Business Days' notice of an election to change the interest rate basis to the LIBO Basis and to select a LIBO Rate of one year or longer. The Company shall give the Bank at least 3 full Business Days' notice of any other election made pursuant to this Section 2.10. If the Company elects a LIBO Rate of one year or longer, and the Bank, in its absolute discretion, determines that deposits of United States Dollars of the term and amount specified in the notice of election are not available to the Bank, the Bank shall notify the Company before 12:00 o'clock noon (Edmonton Time) on the third Business Day prior to the effective date of the change proposed in the notice of election that the LIBO Rate specified in the notice of election is not available. In such event, until the Company delivers to the Bank a new notice of election, the interest rate basis for the subject Advance shall remain unchanged. On the effective date of a notice received by the Bank pursuant to this Section 2.10, the Bank shall make a notation giving effect to such notice on the Note evidencing the Advance in respect of which the notice was given.

2.11 LIBO Basis Advances - With respect to each United States Dollar Advance which is from time to time on the LIBO Basis:

(a) Selection of LIBO Period - The Company shall give notice to the Bank, at least 3 full Business Days prior to each Rollover Day for a United States Dollar Advance on the LIBO Basis, selecting one of the one, two, three or six month LIBO Rate or, at least 5 full Business Days prior to each Rollover Day and subject to availability, selecting one of the one, two, three, four or five year LIBO Rate as the LIBO Rate applicable to such Advance for the corresponding period commencing on (but not including) such Rollover Day and, if such notice is not received by the Bank as aforesaid, the Company shall be deemed to have selected the six month LIBO Rate;

(b) Absence of LIBO Rate - If

(i) on the second Business Day prior to any Rollover Day for a United States Dollar Advance on the LIBO Basis deposits of United States Dollars of the term and amount to be funded by the Bank hereunder on such Rollover Day are not available to the Bank, or

(ii) the Bank, in accordance with its normal banking procedures, determines that by reason of any material and adverse change in applicable laws or circumstances that the London Eurodollar Interbank market is no

longer appropriate as a means of determining the rate of interest on such Advance,

the Bank shall give notice of such fact to the Company at least one Business Day prior to the Rollover Day affected thereby, and the basis for the interest rate on such United States Dollar Advance shall, from (but not including) such Rollover Day, be the Base Rate Basis;

(c) LIBO Rate of One Year or Longer - If the Company in a notice delivered pursuant to Subsection 2.11(a) selects a LIBO Rate of one year or longer, and the Bank in its absolute discretion, determines that deposits of United States Dollars of the term and amount specified in the notice are not available to the Bank, the Bank shall notify the Company before 12:00 o'clock noon (Edmonton time) on the third Business Day prior to the Rollover Day that the LIBO Rate selected in the notice is not available. In such event, the interest rate basis for such Advance shall, from (but not including) such Rollover Day, be the Base Rate Basis, but such change shall be in addition to any election which may be made by the Company under Section 2.10 in the calendar month in which such change occurs; and

(d) Reductions - No reduction of the Term Credit Liability may be applied to a United States Dollar Advance on the LIBO Basis except on a Rollover Day for such Advance.

2.12 Change In Law - In the event that a change shall occur in any applicable law, regulation or directive (whether or not having the force of law) issued by any government, central bank, fiscal or foreign exchange authority, or in the interpretation thereof by any governmental or other authority charged with the administration thereof, which change shall effectively impose on the Bank any reserve requirement or other condition of any kind whatsoever, the result of which shall be to increase the cost to the Bank of maintaining a Banker's Acceptance or a United States Dollar Advance on the LIBO Basis under the Term Credit Facility, then the Company shall pay to the Bank upon demand such additional interest as the Bank shall certify (such certification to be conclusive and binding upon the Company, save for any manifest error) to be necessary to compensate the Bank for such increased cost. The provisions of this Section 2.12 do not apply to taxes levied or imposed on the overall net income of the Bank in the United Kingdom, the United States or Canada.

ARTICLE 3

PRODUCTION LOAN FACILITY

3.01 Facility Continued - The Bank agrees, on the terms and conditions hereinafter set forth, to continue to make available to the Company the Production Loan Facility in favour of the Company in the amount of \$4,181,818.22, which facility has been drawn down in full by the Company. The Company may avail itself of the Production Loan Facility by way of Canadian Dollar Advances in multiples of \$250,000 or Banker's Acceptances in multiples of Canadian \$100,000. Banker's Acceptances under the Production Loan Facility shall have a term of between 10 and 30 days and shall be denominated in Canadian dollars. The Company may from time to time change the form of part or all of the Production Loan Liability from an Advance to a Banker's Acceptance and vice versa, in accordance with Section 3.05.

3.02 Interest Rates - The Company shall pay interest on the Advances made under the Production Loan Facility at a floating rate of interest per annum equal from time to time to the sum of the Prime Rate and one-quarter of one percentage point.

3.03 Accrual and Payment of Interest - Interest shall accrue on each Advance from the Drawdown Date of such Advance (whether before or after September 18, 1986) and shall be

payable on the last Business Day of each month, commencing on the last Business Day of the month in which the Drawdown Date occurs, until all amounts owing hereunder with respect to such Advance have been paid. In the event of the failure by the Company to pay any sum on the date on which such sum is expressed to be due and payable pursuant to this Agreement, the Company shall, on the last Business Day of each month, commencing on the last Business Day of the month in which such sum is due, pay interest to the Bank on such sum (whether principal, interest or other amount) from the date of such failure up to the date of actual payment (as well after as before judgment). Interest shall be payable at the main branch of the Bank at Edmonton, shall accrue from day to day, and shall be computed at the interest rate specified in Section 3.02 and on the basis of the actual number of days elapsed and the number of days in the calendar year in which each such elapsed day falls.

3.04 Banker's Acceptance Fee - Upon acceptance of a draft by the Bank under this Article 3, the Company shall pay to the Bank a fee calculated as follows:

- (a) Multiply the face amount of the draft by one percentage point.

(b) Multiply the result obtained in Subsection (a) by the number of days from (and including) the date of acceptance of such draft by the Bank to (and including) the maturity date of such draft.

(c) Divide the result obtained in Subsection (b) by 365.

3.05 Drawdowns - Funds shall be advanced and drafts shall be accepted by the Bank at its main branch in Edmonton on any Business Day on receipt of a Notice of Borrowing from the Company to the Bank for the purpose of changing the form of part or all of the Production Loan Liability from an Advance to a Banker's Acceptance or vice versa, in which case:

(a) the Notice of Borrowing shall so state and shall specify the Advances or Banker's Acceptances which are to be affected by the change; and

(b) if an Advance is to be drawn down to fund repayment of a Banker's Acceptance, the Drawdown Date shall be the maturity date of such Banker's Acceptance.

The Notice of Borrowing shall:

(a) specify the Business Day on which the Drawdown is to take place and the principal amount of the proposed Drawdown;

(b) be irrevocable;

(c) specify whether the Drawdown is to be by way of Advance or a Banker's Acceptance; and

shall commit the Company to make such borrowing on the Drawdown Date specified therein.

3.06 Reduction of the Production Loan Liability - The Production Loan Liability shall be repaid in full on or before December 31, 1989. The Production Loan Liability may be reduced at any time on or prior to December 31, 1989 subject to the following conditions:

(a) The Company shall give the Bank at least 10 days' notice of its intention to make a reduction (a "Notice of Reduction"), designating the Advances or Banker's Acceptances to which the reduction is to be applied and the date on which it is to be made. A Notice of Reduction given to the Bank shall be irrevocable and shall commit the Company to make such reduction on the date therein specified;

(b) The amount of the reduction shall be a whole multiple of \$150,000;

(c) If the reduction is to be applied to a Banker's Acceptance, the date specified in the Notice of Early Reduction shall be the maturity date of such Banker's Acceptance;

(d) Any cost, loss (other than loss of profit) or damages, including without limitation, breakage costs suffered by the Bank as a result of the reduction pursuant to this Section 3.06 on a date other than the date referred to in subsection (c), shall be for the account of the Company and shall be payable by the Company to the Bank on demand by the Bank; and

(e) A reduction to be applied to an Advance shall be made by payment to the Bank of the amount of such reduction in the currency of such Advance at the main branch of the Bank in Edmonton. A reduction to be applied to a Banker's Acceptance shall be made either (i) by presentation to the Bank at the same place of evidence satisfactory to the Bank that such Banker's Acceptance has been paid in full by the Company; or (ii) by payment to the Bank at the same place of the face amount of the Banker's Acceptance.

3.07 Change in Law - In the event that a change shall occur in any applicable law, regulation or directive (whether or not having the force of law) issued by any government, central bank, fiscal or foreign exchange authority, or in the interpretation

thereof by any governmental or other authority charged with the administration thereof, which change shall effectively impose on the Bank any reserve requirement or other condition or any kind whatsoever, the result of which shall be to increase the cost to the Bank of maintaining a Banker's Acceptance under the Production Loan Facility, then the Company shall pay to the Bank upon demand such additional interest as the Bank shall certify (such certification to be conclusive and binding upon the Company, save for any manifest error) to be necessary to compensate the Bank for such increased cost. The provisions of this Section 3.07 do not apply to taxes levied or imposed on the overall net income of the Bank in the United Kingdom, the United States or Canada.

ARTICLE 4

OPERATING FACILITY

4.01 Facility Continued - The Bank agrees to continue to make available the existing demand revolving operating and letter of credit facility in the principal amount of Canadian \$10,000,000 or such other amount as the Bank determines from time to time (the "Operating Facility") on the terms and conditions set forth herein for the general operating purposes of the Company.

4.02 Availability - The Company may avail itself of the Operating Facility:

(a) by way of Advances denominated in either Canadian Dollars or United States Dollars in principal amounts which are in whole multiples of \$100,000;

(b) by way of Banker's Acceptances denominated in Canadian Dollars in whole multiples of \$100,000 with terms not exceeding 180 days; and

(c) by way of Letters of Guarantee.

4.03 Margin - The Bank shall not be obliged to make Advances or issue any Letters of Guarantee if the making of such Advance or the issuing of any such Letter of Guarantee would result in the Operating Liability exceeding the sum of (i) 75% of accounts receivable assigned by the Company to the Bank as security for the Facilities (excluding U.S. and inter-company receivables and receivables overdue more than 90 days) and (ii) 50% of inventories of the Company (excluding U.S. inventories). If at any time the Operating Liability shall exceed the sum of (i) and (ii), the Company shall forthwith repay such excess to the Bank.

4.04 Interest Rates - The Company shall pay interest on Advances as follows:

(a) Canadian Dollar Advances - With respect to Canadian Dollar Advances, at a floating rate of interest per annum equal from time to time to the Prime Rate; and

(b) United States Dollar Advances - With respect to United States Dollar Advances, at a floating rate of interest per annum equal from time to time to the Base Rate.

4.05 Accrual and Payment of Interest - Interest shall continue to accrue on each Advance from the Drawdown Date of such Advance (whether before or after September 18, 1986) and shall be payable on the last Business Day of each month, commencing on the last Business Day of the month in which the Drawdown Date occurs, until all amounts owing hereunder with respect to such Advance have been paid. In the event of the failure by the Company to pay any sum on the date on which such sum is expressed to be due and payable pursuant to this Agreement, the Company shall, on the last Business Day of each month, commencing on the last Business Day of the month in which such sum is due, pay interest to the Bank on such sum (whether principal, interest or other amount) from the date of such failure up to the date of actual payment (as well after as before judgment). Interest shall be payable in the currency or currencies in which it accrues at the main branch of the Bank at Edmonton, shall accrue from day to day and shall be computed:

(a) With respect to that part of the liability of the Company to the Bank hereunder which is denominated in Canadian Dollars, at the interest rate for Canadian Dollar Advances specified in Subsection 4.04(a) and on the basis of the actual number of days elapsed and the number of days in the calendar year in which each such elapsed day falls; and

(b) With respect to that part of the liability of the Company to the Bank hereunder which is denominated in United States Dollars, at the interest rate for United States Dollar Advances specified in Subsection 4.04(b) and on the basis of the actual number of days elapsed and a 360 day year.

4.06 Banker's Acceptance Fees - Upon acceptance of a draft by the Bank under this Article 4, the Company shall pay to the Bank a fee calculated as follows:

(a) multiply the face amount of the draft by three-quarters of one percentage point.

(b) multiply the result obtained in Subsection (a) by the number of days from (and including) the date of acceptance of such draft by the Bank to (and including) the maturity date of such draft.

(c) divide the result obtained in Subsection (b) by 365.

4.07 Letters of Guarantee - Upon the issuance of a Letter of Guarantee by the Bank at the request of the Company, the Company shall pay to the Bank the Bank's standard commission for issuance of letters of guarantee or letters of credit, as the case may be, at such time. Letters of Guarantee issued hereunder shall be in the Bank's standard form; and shall be denominated in Canadian Dollars. The Company shall reimburse the Bank for all amounts paid by the Bank under a Letter of Guarantee plus any and all charges and expenses which the Bank may pay or incur relative to the Letter of Guarantee and the Company shall also indemnify the Bank against any actions, proceedings, losses, damages, expenses, taxes other than taxes on overall net income, assets or profits of the Bank, claims and demands which the Bank may incur by reason of or arising in any way whatsoever in connection with the opening, establishing or paying of the amount payable under a Letter of Guarantee or arising in connection with any amounts payable to the Bank under this Section 4.07. Any amount so payable shall be deemed to be a Canadian Dollar Advance payable on demand.

4.08 Drawdowns - Drafts shall be accepted and Letters of Guarantee issued by the Bank at its main branch in Edmonton on any Business Day on receipt of Notice of Borrowing from the Company to the Bank, which shall:

(a) specify the Business Day on which the Drawdown is to take place and the principal amount of the proposed Drawdown;

(b) be irrevocable;

(c) specify whether the Drawdown is to be by way of Banker's Acceptance or Letter of Guarantee; and

shall commit the Company to make such borrowing on the Drawdown Date specified therein. Funds shall be advanced under the Operating Facility at the same place against delivery of a Note.

4.09 Change in Law - In the event that a change shall occur in any applicable law, regulation or directive (whether or not having the force of law) issued by any government, central bank, fiscal or foreign exchange authority, or in the interpretation thereof by any governmental or other authority charged with the administration thereof, which change shall effectively impose on the Bank any reserve requirement or other condition or any kind whatsoever, the result of which shall be to increase the cost to the Bank of maintaining a Banker's Acceptance under the Operating Facility, then the Company shall pay to the Bank upon demand such additional interest as the Bank shall certify (such certification to be conclusive and binding upon the Company, save for any manifest error) to be necessary to compensate the

Bank for such increased cost. The provisions of this Section 4.09 do not apply to taxes levied or imposed on the overall net income of the Bank in the United Kingdom, the United States or Canada.

4.10 Cancellation Notwithstanding any other provision of this Agreement, the continued availability of the Operating Facility shall be subject to the Bank's right to demand repayment in full of the Operating Liability at any time and to the Bank's right to review and cancel the Operating Facility at any time.

ARTICLE 5

SECURITY

5.01 Security -

(a) The due and prompt performance of the Company's obligations hereunder in respect of any and all of the Facilities, including without limitation, under all Notes, all Banker's Acceptances and all Letters of Guarantee, shall be secured by:

(i) the Debenture;

(ii) a first charge over all the Company's interest in hydrocarbons pursuant to Section 177 of the Bank Act and over all the inventory of the Company pursuant

to Section 178 of the Bank Act (collectively, the "Bank Act Security");

(iii) a guarantee substantially in the form of Schedule C hereto and a security agreement in form satisfactory to the Bank (collectively, the "Guarantee") of Alberta Gas Chemicals Inc.;

(iv) a general assignment of book debts in the Bank's usual form;

(v) a first charge over all the railcars owned by the Company pursuant to Section 86 of the Railway Act; and

(vi) a specific assignment of the licence agreement between the Company and Imperial Chemical Industries PLC relating to the Methanol Plants and of the interests of the Company under leases of railcars; and

(vii) a pledge of all of the shares of each present or future subsidiary of the Company (other than 133950 Canada Inc.) which are presently or may hereafter be issued and outstanding and owned by the Company beneficially or of record.

(hereinafter collectively called the "Security").

The Company acknowledges and agrees that the elements of Security referred to in clause (a)(ii) previously granted by the Company were, when granted, intended as continuing security for all then present and future indebtedness of the Company to the Bank, all as more particularly stipulated in the documents pursuant to which such elements of Security were granted, and that such indebtedness includes all of the obligations of the Company to the Bank hereunder.

(b) The Bank agrees that if the Operating Facility is cancelled pursuant to the terms of Article 4, upon payment in full of all amounts outstanding hereunder or owing or accruing due hereunder, in each case in respect of the Operating Facility, the Bank shall subordinate its security on book debts and/or inventory to the extent of \$10,000,000 to the charge of another lender providing an operating facility to the Company.

(c) If at any time in the future the Company proposes to cause any of Synchem Construction Incorporated, Alberta Gas Chemicals Resources Ltd., Alberta Gas Chemicals Export Incorporated, Synchem Construction Ltd., Alberta Chemical Company Limited or any other present or future subsidiary

of the Company other than 133950 Canada Inc. to acquire assets having a fair market value of more than \$5,000 or carry on any business not carried on at present, the Company shall give the Bank 30 days prior written notice (a "Notice"), whereupon the Bank may request in writing (the "Request") that the Company cause such subsidiary to execute and deliver to the Bank a guarantee and security agreement substantially in the form of Schedule C hereto together with a favourable opinion of counsel to the subsidiary in form and substance satisfactory to the Bank with regard to the due incorporation and organization and status of the subsidiary; absence of violation of or conflict with other agreements or obligations of the subsidiary arising from the execution, delivery or performance of the guarantee and security agreement; the corporate power and capacity of the subsidiary to give the guarantee and security therefore; absence of litigation affecting the subsidiary; due authorization, execution and delivery of the guarantee and security agreement; enforceability of the guarantee and security agreement; perfection of the security interest of the Bank thereunder and as to such other related matters as the Bank may request. If the Bank makes the Request, the Company shall not take the action contemplated by the Notice pursuant to which such Request was made until such Request has been complied with.

5.02 Acts of Omissions Regarding Security - Nothing herein contained or in any security now held or hereafter acquired by

the Bank, nor any act or omission of the Bank with respect to any such security shall in any way prejudice or affect the rights, remedies or powers of the Bank with respect to any other security at any time held by it.

5.03 Security Review - The Company may, from time to time, request the Bank to undertake a review of the Security and the relationship between its value as collateral and the aggregate amount outstanding under the Facilities and the currencies in which such amount is denominated. Upon receiving such a request, the Bank shall diligently and in good faith conduct such review and evaluation. If, as a result of such review and evaluation the Bank shall conclude that it can release one or more elements of Security without jeopardizing its position as a secured lender, the Bank shall, at the expense of the Company, execute and deliver to the Company such documents and other assurances as may be required to effect the release of such elements of the Security. The only obligation of the Bank under this section 5.03 shall be to conduct the review and evaluation hereinbefore referred to. Any decision made by the Bank in the course of or as a result of such review and evaluation, including, without limitation, a decision by the Bank to release any element of Security, shall be taken only in the discretion of the Bank, although such discretion shall be exercised in good faith.

ARTICLE 6

COVENANTS

6.01 Positive Covenants of the Company - The Company covenants with the Bank that, so long as any amount remains unpaid on any Advance or Banker's Acceptance or in respect of any interest or fee payable to the Bank or the Bank is contingently liable under any Letter of Guarantee hereunder:

(a) Corporate Existence, Business, Insurance - The Company shall maintain its corporate existence and all licences and authorizations from regulatory or governmental authorities or agencies required in order to permit it to carry on its business; diligently carry on and conduct its business only in the ordinary course and in a proper, efficient and business like manner; maintain in force with reputable insurance companies, policies of insurance (including liability insurance) of types and in amounts normally maintained by companies carrying on like businesses; and pay all taxes when due unless such taxes are, in good faith, under dispute;

(b) Inspection - At any time and from time to time when the Bank has reasonable grounds to believe that an event has occurred or that a condition exists which either constitutes an Event of Default or, but for the giving of

notice or the passage of time, or both, would constitute an Event of Default, the Company shall, and the Company shall cause its subsidiaries to, upon the request of the Bank, permit the Bank, for the purposes of this Agreement or any other agreement or document herein provided for, by its agents, employees and representatives, to examine during normal business hours, all relevant books of account, records, reports and other papers of any such corporation to which such Event of Default, event or condition relates and to make copies thereof and to take extracts therefrom, provided that all such information shall be held confidential by the Bank;

(c) Maintain Current Ratio - The Company shall at all times maintain a Current Ratio which is not less than 1.3:1. For the purposes of this subsection 6.01(c), "Current Ratio" means, with respect to the Company at any time, the ratio obtained when the amount of the current assets of the Company is divided by the amount of the current liabilities of the Company, provided that for the purposes of determining the Current Ratio at any time:

(i) both current assets and current liabilities shall be computed on the same basis, whether consolidated or unconsolidated, at the option of the Company;

(ii) both current assets and current liabilities shall be determined in accordance with Canadian generally accepted accounting principles except that current liabilities shall not include the current portion of long-term debt; and

(iii) if current assets are calculated on an unconsolidated basis, there shall be excluded therefrom all amounts due from subsidiaries of the Company; and

(d) Payment of Bank's Expenses - The Company shall pay to the Bank on demand all reasonable out-of-pocket expenses incurred by the Bank and its special counsel and the fees of the Bank's special counsel in respect of services rendered in connection with the preparation, negotiation and settlement of this Agreement and all other documentation provided for or contemplated hereby or thereby, in connection with any amendment or waiver of any term hereof or thereof and in connection with the protection and enforcement of any of the rights and remedies of the Bank hereunder or thereunder or contemplated hereby or thereby; and

(e) Hedging - If at any time the Bank reasonably determines that the Company's ability to meet its obligations hereunder will be materially prejudiced as a result of the fact that

a portion of its liability hereunder is denominated in United States Dollars, forthwith after consultation with the Bank, the Company shall enter into such arrangements (which may include foreign exchange contracts, hedging contracts, swap contracts or other similar arrangements) which are, in the reasonable opinion of the Bank, adequate to avoid such prejudice.

6.02 Negative Covenants of the Company - The Company covenants with the Bank that, so long as any amount remains unpaid on any Advance or any Banker's Acceptance or in respect of any interest or fee payable or any amount is owing to the Bank or the Bank is contingently liable under any Letter of Guarantee hereunder, except with the prior written consent of the Bank (in the Bank's sole discretion):

(a) Capital Expenditures - The Company shall not, in any fiscal year, either make or commit itself to make capital expenditures in an aggregate amount which exceeds Canadian \$3,000,000 provided that:

(i) capital expenditures of up to the aggregate amount of Canadian \$5,500,000 shall be permitted for the Company's 1986 fiscal year;

(ii) the above-mentioned sum of \$3,000,000 shall in any fiscal year be increased by the amount, if any, by which \$3,000,000 (or in the case of the fiscal year of the Company to end December 31, 1987, \$5,500,000) exceeds the amount of capital expenditures made or committed to be made in the preceding year; and

(iii) in determining the amount of capital expenditures made or committed to be made in any fiscal year, there shall not be included any expenditures and commitments

(A) in respect of catalyst for the Company's methanol manufacturing facilities; and

(B) funded by the proceeds of insurance received or receivable by the Company in respect of a casualty which will be wholly or partly rectified by the capital expenditures.

(b) Encumber Charged Property - The Company shall not create or suffer to exist any lien, charge (whether fixed or floating) or encumbrance on or against the property of the Company subject to the charges created by the Security except for any permitted encumbrances referred to therein and except for any mechanic's lien or other workman's or

construction lien in respect of which the Company has duly provided for payment in a manner satisfactory to the Bank (acting reasonably).

(c) No Dividends - The Company shall not pay any dividends nor make any distributions to shareholders and their associates and affiliates, including for greater certainty, repayment of debt owed to such shareholders and their associates and affiliates.

6.03 Reporting Requirements - The Company covenants with the Bank that, so long as any amount remains unpaid on any Advance or any Banker's Acceptance or in respect of any interest or fee payable or any amount is owing to the Bank or the Bank is contingently liable under any Letter of Guarantee hereunder:

(a) Financial Reports and Compliance Certificate - The Company shall:

(i) as soon as is possible, and in any event within 40 days after the end of each fiscal quarter, excluding the fourth quarter, deliver to the Bank a Compliance Certificate (as hereinafter defined) and unaudited quarterly financial statements of the Company consisting of a balance sheet, statements of income and retained earnings, a statement of sources and uses of

funds and a statement of Cash Flow certified by two officers of the Company, one of whom shall be the chief financial officer of the Company, as being correct and as having been prepared on the basis provided for in, and as meeting the requirements of this Subsection 6.03(a); and

(ii) as soon as is possible, and in any event within 90 days after the end of its fiscal year, deliver to the Bank its audited financial statements for such fiscal year;

provided that the financial information delivered to the Bank pursuant to paragraphs (i) and (ii) of this Subsection 6.03(a) shall be

(iii) prepared on both a consolidated and, if requested by the Bank, on a non-consolidated basis; and

(iv) prepared in accordance with Canadian generally accepted accounting principles (except with respect to consolidation in the case of information provided on a non-consolidated basis), and shall present fairly the financial condition and the results of operations of the Company at and to the end of the period for which such information is prepared; and

for the purposes of this Subsection 6.03(a), "Compliance Certificate" means a certificate dated not more than seven days prior to the day upon which it is delivered to the Bank in accordance with this subsection 6.03(a), executed on behalf of the Company by two officers of the Company, one of whom shall be the chief financial officer of the Company, certifying that,

(v) except as previously disclosed by it to the Bank the Company has complied with all covenants, conditions or other requirements contained in this Agreement, or in any other agreement or document herein provided for, non-compliance with which would, with the giving of notice or the passage of time, or both, constitute an Event of Default; and

(vi) the Company is not aware of the existence of any Event of Default or any event or condition which, but for the giving of notice or the passage of time, or both, would constitute an Event of Default or, if it is aware of the existence of any such Event of Default, event or condition, specifying all relevant particulars thereof, the period of existence thereof and the action which the Company proposes to take with respect thereto;

(b) Engineering Report - If requested in writing by the Bank, the Company shall furnish to the Bank a report prepared by independent engineers acceptable to the Bank, in form and substance satisfactory to the Bank, which report shall be dated and cover hydrocarbon reserves as of the date specified in the notice and shall set forth, inter alia, the proved developed producing, the proved developed non-producing, and the proved undeveloped hydrocarbon reserves attributable to the hydrocarbon properties of which the Company has good title together with a projection of the rate of production cash flow with respect thereto; such report to be provided within 105 days of the date of the Bank's request;

(c) List of Inventory and Receivables - So long as the Operating Facility has not been cancelled or otherwise terminated the Company shall provide to the Bank within 15 Business Days of the end of each month a list of the inventory and an aged listing accounts receivable of the Company; and

(d) Litigation - Forthwith upon becoming aware of any pending or threatened material litigation against or affecting the Company, the Company will notify the Bank and provide to the Bank a summary of all material particulars of such litigation known to the Company. Thereafter the Company will keep the Bank informed on a timely basis of material developments in such litigation.

6.04 Representations and Warranties of the Company - The Company represents and warrants to and agrees with the Bank that:

(a) Incorporation - The Company is a corporation duly continued under the Business Corporations Act (Alberta) and is duly organized and validly subsisting under the laws of Alberta;

(b) Corporate Power and Qualification - The Company

(i) has full corporate power and capacity to own or lease its properties, including, without limitation, the three Methanol Plants, and to carry on its business as conducted on the date hereof,

(ii) is duly qualified to carry on business under the laws of the Province of Alberta, and

(iii) holds all material licences and authorities from regulatory or governmental authorities or agencies required in order to permit it to own, lease and operate all of its properties, including, without limitation, the three Methanol Plants, and to carry on its business as conducted on the date hereof;

(c) Corporate Authority and Authorization - The Company and the subsidiary referred to in clause 5.01(a)(iii) (the

"Subsidiary") has full power, legal right and corporate authority to enter into and perform its obligations under, and has taken all necessary corporate action to authorize the execution, delivery and performance of, (i) in the case of the Company, this Agreement, the Notes, the Security to which the Company is a party and any other instruments and agreements contemplated hereby or thereby, and (ii) in the case of the Subsidiary, its Guarantee, and no such action requires the consent or approval of any regulatory authority or governmental authority or agency having jurisdiction over the Company;

(d) Violation of Other Instruments - Neither the execution and delivery of this Agreement by the Company nor the consummation of the transactions contemplated hereby does or will materially violate or constitute a material breach of or a material default under any indenture, mortgage, lease, agreement, instrument, charter or by-law provision, statute, regulation, judgment, decree, order, permit or law to which the Company is a party or by which the Company or any of its properties or rights is bound or affected; nor will such execution, delivery, or consummation result either in acceleration in the time for performance of any obligation by the Company or in the creation of any lien or encumbrance upon any of its properties or rights other than as contemplated hereby;

(e) Default under Obligations - The Company is not in default in any respect (nor has any event occurred which, but for the passage of time or the giving of notice, or both, would constitute such a default) under any obligation or under any licence or permit to own and/or operate properties or assets or to carry on its business as conducted on the date hereof; which, in any such case, materially and adversely affects the Company.

(f) Litigation - There are no suits, actions, litigation, arbitrations or governmental proceedings (including without limitation, any order or compliance schedule relating to the protection of the environment) pending or, to the best of the knowledge of the Company, threatened against the Company or any of the Company's subsidiaries or any of their respective properties or rights, nor are any of them or any of their respective properties or rights subject to or affected by any existing judgment, order or decree or other governmental action or proceedings pending or, to the best of the knowledge of the Company, threatened against any such corporation which, in any case, might materially and adversely affect the Company in the operation of its business or any of its properties or rights or which would prevent, hamper or make illegal the transactions contemplated by this Agreement;

(g) Title to Methanol Plants - The Company is the registered owner of the real property upon which each of the Methanol Plants is situate and of all improvements upon such real property, free from all encumbrances other than the security interests in the Methanol Plants which have been created in favour of the Bank, the permitted encumbrances referred to in the schedule to the Debenture and other encumbrances which, when taken in the aggregate, do not materially impair the value of the real property or interfere with its present use;

(h) Enforceability - This Agreement constitutes, and each Note, and the Security to which the Company is a party, when executed and delivered in accordance herewith, will constitute, a valid and legally binding obligation of the Company enforceable against the Company in accordance with the terms thereof, except (i) to the extent that enforceability may be limited by applicable bankruptcy or insolvency or other laws affecting creditors' rights generally and (ii) to the extent that the remedies of specific performance and injunction, being equitable remedies, may only be granted in the discretion of a court. All representations and warranties of the Company contained herein, and all representations and warranties contained in any certificate or other document furnished hereunder, are material and shall be deemed to have been relied upon by the Bank

(i) at its maturity, or

(ii) prior to such maturity upon the Bank's demand to the Company upon the occurrence and during the continuance of an Event of Default;

(b) that any amount due to the Bank under subsection (a) and not recovered out of such provision shall be immediately payable by the Company to the Bank together with interest thereon calculated and payable monthly at the interest rate for Canadian Dollar Advances specified in Subsection 2.02 in the case of the Term Credit Facility and 3.02 in the case of the Production Loan Facility, from the date of maturity of the draft until the payment in full of such amount, all in accordance with Sections 2.03 and 3.03, respectively and

(c) that the Company shall not claim from the Bank any days of grace for the payment at maturity of any Banker's Acceptances.

No mandatory reduction or early reduction of the Company's Liability shall be applied to a Banker's Acceptance except on the maturity date thereof.

ARTICLE 7

DEFAULT AND ENFORCEMENT

7.01 Acceleration Upon Default - Upon the occurrence and during the continuance of any of the following events, each of which is an "Event of Default", the full amount of all indebtedness, including for greater certainty, all fees, interest, principal and other amounts owing under the Facilities shall, at the option of the Bank, become due and payable and upon such indebtedness being declared to be due and payable, all the Security shall become enforceable:

(a) Failure by the Company to make any payment on account of any fee or interest payable or to make any reduction in the Term Credit Liability or the Production Loan Liability within 15 days of the date upon which such payment was due or such reduction was required to be made, as the case may be;

(b) Failure by the Company to make any payment on account of the Operating Liability upon demand by the Bank therefor;

(c) If any representation or warranty made in this Agreement or in any document, report, statement, certificate or other instrument furnished to the Bank pursuant to this Agreement or any such other instrument shall prove to have

been false or to have otherwise failed to deal with any material particulars, in either case, so as to have made such instrument materially misleading upon the date when made or deemed to be made provided, however, that, if such representation or warranty is curable, no Event of Default shall have occurred unless the incorrect nature of such representation remains uncured for 15 days after the Company becomes aware of the misrepresentation whether by way of notice from the Bank or otherwise;

(d) If, without the prior written consent of the Bank (such consent not to be unreasonably withheld) the number of shares of the Company or the aggregate number of votes attached to all outstanding shares of the Company beneficially owned, directly or indirectly, by NOVA, AN ALBERTA CORPORATION, shall be less than 40% of the total number of shares of the Company then outstanding or the total number of votes then exercisable, as the case may be;

(e) If any event of default shall occur under any other obligation of the Company for or in respect of borrowed money pursuant to which the amount owing by the Company is in excess of one million dollars (Canadian) and such event of default shall not be cured within 15 days of the date of occurrence thereof;

(f) If final judgment shall be rendered against the Company for the payment of an amount of money in excess of \$100,000 (Canadian) and such judgment shall not have been discharged or there shall not have been procured a stay of execution thereon, in either case within 30 days from the entry thereof;

(g) The taking by the Company, or any subsidiary of the Company of any of the following actions without the prior written approval of the Bank:

(i) the making by any such corporation of an assignment or any proposal for the benefit of its creditors under applicable insolvency legislation,

(ii) the filing or presentation of a bankruptcy or similar petition by any such corporation in respect of itself, or

(iii) the procuring of a judgment or order ordering a reorganization, arrangement or composition of or with respect to any such corporation or its debts or obligations;

(h) The presentation or filing of a bankruptcy or similar petition with respect to bankruptcy or insolvency of the

Company, or any subsidiary of the Company by any person or the deeming of any such corporation to be bankrupt or bound by a proposal in bankruptcy, or the appointment of a custodian or receiver or receiver and manager or other official with similar power (whether or not pursuant to a court order) for all or a substantial portion of the properties or assets of any such corporation unless, in any such event, the same is opposed in good faith by appropriate proceedings, and unless during the 60 days following such presentation or filing such proceedings are dismissed or stayed;

(i) If the Bank notifies the Company that the auditor's report included in any financial statements delivered pursuant to the provisions hereof contains any qualification which, in the reasonable opinion of the Bank, is both material and adverse;

(j) If the Company shall default in the performance or observance of any of its other covenants or obligations hereunder or under the Debenture or any other term hereof or thereof shall be breached and such default or breach shall not be remedied or rectified within 15 days from the date upon which the Company becomes aware of such default whether by notice from the Bank or otherwise; and

(k) The Company shall not have reduced the Term Credit Liability to the amounts by the dates set forth in the following schedule:

<u>On or Before</u>	<u>Term Credit Liability</u> (millions of Canadian Dollars)
December 31, 1989	88
December 31, 1990	82
December 31, 1991	74
December 31, 1992	64
December 31, 1993	48
December 31, 1994	32
December 31, 1995	0

ARTICLE 8

CONDITIONS

8.01 Conditions Precedent to the Effectiveness of Amended Credit Agreement - The effectiveness of amendments to the Term Facility, the Production Facility and the Operating Facility contained herein shall be subject to the following conditions precedent:

(a) the Bank shall have received the Notes executed by the Company evidencing its indebtedness under each Facility;

(b) the Security shall have been executed and delivered by the Company and shall have been registered and recorded in

such public offices in such places as shall, in the opinion of Canadian and United States counsel to the Bank, be necessary to perfect, preserve and protect the security interests of the Bank therein provided;

(c) the Bank shall have received evidence reasonably requested by the Bank to satisfy it that all necessary action has been taken by the Company to make this Agreement, and all of the documents and instruments delivered pursuant hereto valid, binding and enforceable obligations of it and such additional supporting documents as the Bank may reasonably request;

(d) The Bank shall have received a favourable opinion of counsel for the Company and AGCI dated the date hereof, confirming the representations and warranties set out in Section 6.04 (other than in Subsection 6.04(e)) and to the effect that this Agreement, the Notes and the Security have been duly executed and delivered on behalf of the Company or the Company's subsidiaries, as the case may be, and are legal, valid and binding obligations of such parties and as to such other matters as the Bank may reasonably request. Such opinions shall be in form and substance satisfactory to the Banks; in rendering such opinions, counsel may rely upon a certificate of two senior officers of the Company or AGCI, as the case may be, as to factual matters not within the knowledge of counsel;

(e) the Bank shall have received a favourable opinion of its Canadian and United States counsel, dated the date hereof, as to such matters as the Bank may reasonably request;

(f) the Bank shall have received a certificate signed by two officers of the Company, one of whom shall be the chief financial officer, stating that to the best of their knowledge and belief (without personal liability), after having made a careful enquiry, the representations and warranties contained in Section 6.04 of this Agreement are true and correct as of the date hereof and that no Event of Default or condition or event which, after notice or lapse of time or both, would become an Event of Default, has occurred and is continuing;

(g) the Bank shall have received evidence satisfactory to it of (i) release of the Company's contingent liabilities under the Completion Agreement; and (ii) arrangements satisfactory to Petralgas, Petroleum Corporation of New Zealand, the lenders to Petralgas, the Company and the Bank to modify or terminate certain project agreements in connection with the Petralgas Plant; and

(h) the Bank shall have received a restructuring fee of \$350,000 in payment for services performed by the Bank prior to the date hereof in connection with the restructuring of the Company's indebtedness to the Bank.

ARTICLE 9

GENERAL

9.01 Non-Business Days - In the event that any action, including the making of any payment to the Bank, is required or permitted to be taken hereunder on a day other than a Business Day, then such action shall be taken on the next succeeding day that is a Business Day and, in the case of a payment, shall include interest payable in respect of the days by which the time for the making of such payment has been extended.

9.02 Notice -

(a) Any notice, request, demand or other communication between the parties hereto for the purposes hereof shall be duly given or made when communicated, by one of the forms of communication listed in subsection 9.02(b), to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement at the address of such party as such party may from time to time designate to the other party.

(b) The forms of communication referred to in Subsection 9.02(a) and the time at which a communication in such form shall be deemed, for the purposes of this Agreement, to have been received, are:

(i) prepaid registered mail, the third Business Day following the date of mailing;

(ii) telex or telecopy, the Business Day following the date of sending;

(iii) telegram or cable, the Business Day following the date of sending; and

(iv) personal delivery in writing to a senior officer of the addressee, the Business Day of actual receipt; and

in the event of the interruption, for any reason, of any one or more of the modes of communication listed above the parties shall use a mode of communication which is not so interrupted with the intent that a mode of communication will be used which will give the addressee timely notice of the communication.

(c) The address, telecopy and telex number of the Company is, until otherwise advised to the Bank:

ALBERTA GAS CHEMICALS LTD.
11456 Jasper Avenue
Edmonton, Alberta
T5K 0M1

Attention: Vice President, Finance

TELEX: 037-3698

TELECOPY: (403) 482-6366

(d) The address and telex number of the Bank is, until
otherwise advised to the Company:

BANK OF MONTREAL
10199 101st St.
Edmonton, Alberta
T5J 3Y5

Attention: The Manager

TELEX: 037-2152

TELECOPY: (403) 428-7403

with a copy to:

BANK OF MONTREAL
First Canadian Centre
350 - 7th Avenue S.W.
Calgary, Alberta

Attention: Account Manager
Corporate and Government Banking

TELEX: 03-822827

TELECOPY: 403-234-3644

9.03 Further Assurances - The Company and the Bank shall
each, from time to time and at all times, do such further acts
and execute and deliver all such further documents as shall be

reasonably required by the other party in order to perform and carry out the intentions and/or terms of this Agreement. Without limiting the generality of the foregoing, if at any time the liability of the Company to the Bank hereunder exceeds the face amount of the Debenture, the Company shall, forthwith upon receipt of the request of the Bank therefor, execute and deliver to the Bank such further documents and securities and do such things as shall be required by the Bank to ensure that the security interest of the Bank in the mortgaged property referred to in the Debenture shall extend to the full liability of the Company to the Bank hereunder, expressed in Canadian Dollars; and for this purpose, the liability of the Company to the Bank hereunder in United States Dollars shall be converted to Canadian Dollars at the Bank's noon buying rate for United States Dollars in Toronto on the Business Day immediately preceding the date such request is made.

9.04 Time of Essence - Time shall be of the essence of this Agreement.

9.05 Successors and Assigns - This Agreement and the Notes may not be assigned by either party without the prior written consent of the other party and shall enure to the benefit of and be binding upon each party hereto and its successors and permitted assigns.

9.06 Waiver and Amendment - No indulgence or forbearance by the Bank hereunder shall be deemed to constitute a waiver of the Bank's rights to insist on performance in a full and in a timely manner of all unwaived covenants of the Company hereunder and any such waiver, in order to be binding upon the Bank, must be express and in writing and signed by the Bank; and then such waiver shall be effective only in the specific instance and for the purpose for which it is given; and no waiver of any provision, condition, or covenant shall be deemed to be a waiver of the Bank's right to require full and timely compliance with the same provision, condition or covenant thereafter, or with any other provision, condition or covenant of this Agreement at any time. No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by both the Company and the Bank.

9.07 Severability - In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby, and any such invalid, illegal or unenforceable provision shall be deemed to be severable.

9.08 Entire Agreement - This Agreement amends and continues in force, as amended, the Term Credit Agreement, the letters dated December 19, 1983, October 30, 1984 and April 29, 1985 pursuant to which the Production Facility was originally provided and the letter dated April 8, 1982 pursuant to which the Operating Facility was originally provided (collectively, the "Original Documents"). As this Agreement contains the entire text of the Original Documents, as agreed by the Bank and the Company to be amended, this Agreement, together with the agreements and other documents to be delivered pursuant hereto and thereto and for the purposes hereof and thereof, embodies the entire agreement between the Bank and the Company pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, with respect to the subject matter hereof, other than the Original Documents, which remain in full force and effect as amended and embodied in this Agreement.

9.09 Currency Conversion - If for the purposes of obtaining judgment in any court in Canada it becomes necessary to convert into Canadian Dollars any amount due hereunder in United States Dollars, then conversion shall be made at the rate of exchange prevailing at noon on the Business Day before the day on which judgment is given. For the purpose of this Section 9.09 and Section 9.10, "rate of exchange" means the rate at which the Bank

would have been able on the relevant date to sell the relevant amount of United States Dollars for the Canadian Dollars in Toronto.

9.10 Exchange Rate Change - In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which a judgment referred to in Section 9.09 is given and the date of payment of the amount of the judgment, the Company will on the date of payment pay such additional amount to the Bank, or the Bank shall accept in full satisfaction of the judgment such lesser amount than the amount of the judgment, as the case may be, as may be necessary to ensure that the amount received by the Bank hereunder on such date is the amount in Canadian Dollars which, when converted at the rate of exchange prevailing on the date of payment, is the amount due hereunder in United States Dollars in respect of which judgment has been obtained. Any additional amount due from the Company under this Section 9.10 will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due hereunder.

9.11 Computation of Interest - For greater certainty it is hereby declared that the principle of deemed reinvestment of interest shall not be applied to and shall not affect the calculation of interest payable under this Agreement. The

Company acknowledges that interest calculated on the basis of a 360 day year is equivalent to 365/360 of such a rate calculated on the basis of a 365 day year.

9.12 Applicable Law - This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated in all respects as an Alberta contract.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

ALBERTA GAS CHEMICALS LTD.

By: _____
Senior Vice President
c/s

Vice President, Finance

BANK OF MONTREAL

By: _____
Authorized Officer

This is Schedule "A" to the Amended Credit Agreement Between Alberta Gas Alberta Ltd. and Bank of Montreal dated September 18, 1986

SUPPLEMENTAL DEBENTURE

WHEREAS by virtue of a Debenture (hereinafter referred to as the "Principal Debenture") dated January 27, 1981 ALBERTA GAS CHEMICALS LTD., a corporation duly incorporated under the laws of the Province of Alberta (hereinafter referred to as the "Company") covenanted and agreed to pay to the BANK OF MONTREAL, a chartered bank constituted under the Bank Act of Canada (hereinafter referred to as the "Bank") the principal amount of \$165,000,000 with interest thereon and as otherwise provided in the credit agreement between the Company and the Bank dated January 27, 1981 (the "Credit Agreement");

AND WHEREAS the Principal Debenture was registered or filed in the offices and jurisdictions and under the numbers listed in the First Schedule hereto against, inter alia, the lands described in the Second Schedule hereto;

AND WHEREAS by an agreement dated September 18, 1986 (the "Amended Credit Agreement") the Bank and the Company have agreed to amend and restate the Credit Agreement to reschedule the repayment of the Company's indebtedness thereunder to the Bank by extending the time for payment and providing for repayment out of cash flows;

AND WHEREAS the Bank has agreed to provide in the Amended Credit Agreement for the inclusion therein of the Company's existing production loan facility and operating and letter of credit facility;

AND WHEREAS the Bank has agreed to the Amended Credit Agreement a copy of which is hereunto annexed and initialled by the Company and the Bank on the condition that all of the indebtedness thereunder be secured by the Principal Debenture as amended and restated hereby and that this Supplemental Debenture be issued to provide for additional security in favour of the Bank to secure the Company's obligations under the Credit Agreement as amended and restated by the Amended Credit Agreement;

NOW THEREFORE in consideration of the Bank entering into the Amended Credit Agreement and the premises and the covenants and agreements hereinafter set forth and for value received by the Company, the receipt and sufficiency of which consideration is hereby acknowledged by the Company, the Company hereby covenants with the Bank as follows:

1. The Supplemental Debenture is an indenture supplemental to the Principal Debenture. The Principal Debenture and this Supplemental Debenture shall henceforth be read and construed as though all of the provisions thereof and hereof respectively were incorporated in a single instrument; provided that

references to the Credit Agreement in the Principal Debenture shall be read as referring to the Credit Agreement as amended and restated by the Amended Credit Agreement; the "Mortgaged Property" referred to in Paragraph 2 hereof shall be "mortgaged property" for the purposes of sections 10 and 14 of the Principal Debenture; the reference in subsection 11(a) of the Principal Debenture to "an Event of Default referred to in Section 22 of the Credit Agreement" shall be read as a reference to "an Event of Default referred to in Section 7.01 of the Amended Credit Agreement"; and the reference in section 12 of the Principal Debenture to the "first floating charge herein contained" shall also be a reference to the fixed and floating charges and assignments provided for in Paragraph 2 hereof.

2. As further security for the due payment of the principal sum and interest and all other monies from time to time owing pursuant to the terms of the Amended Credit Agreement and the performance of the obligations of the Company therein and in the Principal Debenture and herein contained, but subject to the exceptions as to leaseholds in the Principal Debenture and herein contained, the Company hereby:

(a) Mortgages and charges as and by way of a fixed and specific mortgage and charge to and in favour of the Bank, its successors and assigns, all of its right, title and interest in;

(i) the equipment and machinery described in the Third Schedule hereto, including all supplies of catalysts used or stored by the Company at the lands and premises described in the Second Schedule hereto;

(ii) the inventories of the Company, including any inventory from time to time situate on the lands and premises described in the Fourth Schedule hereto or contained in any rail tank cars referred to in Subparagraph 2(a)(iii) hereof;

(iii) any and all rail tank cars now owned or hereafter acquired, including those described in the Fifth Schedule hereto;

(iv) all petroleum, natural gas and hydrocarbons found in and upon the areas set forth in the Sixth Schedule hereto;

(v) all rights, licences, agreements, leases and permits now owned or hereafter acquired by the Company to obtain and remove petroleum, natural gas and hydrocarbons, including those set forth in the Seventh Schedule hereto;

(vi) the property, personal or real, described and referred to in the Eighth Schedule annexed hereto and all buildings, improvements, erections, fixtures, fixed machinery, fixed equipment and fixed plant now upon such property or any part thereof or which may at any time be constructed or brought or placed thereon, and used in connection therewith (whether the same form part of the realty or not);

provided, however, that the fixed and specific charges contained in Subparagraph 2(a)(ii) shall in no way hinder or prevent the Company, until the earlier of notice to the contrary from the Bank and the security constituted hereby becoming enforceable and the Bank having determined to enforce the same, from selling, disposing or dealing with the subject matter of the fixed and specific charges contained in Subparagraph 2(a)(ii) in the ordinary course of business and for the purpose of carrying on the same;

(b) Mortgages and charges as and by way of a floating charge, all of its undertaking, property and assets, real and personal, immoveable and moveable, both present and future, now owned or hereafter acquired, of whatsoever nature and kind (to the extent that such property and assets are not subjected to the fixed and specific mortgages, charges and assignments of this Supplemental Debenture);

provided, however, that such floating charge shall in no way hinder or prevent the Company, until the security hereby constituted shall have become enforceable and the Bank shall have determined to enforce the same, from selling, alienating, leasing, subleasing, re-leasing, assigning, disposing of and dealing with the subject matter of such floating charge in the ordinary course of business and for the purpose of carrying on the same;

(c) as legal or beneficial owner as the case may be and without limiting the effect of the preceding Paragraphs 2(a) and (b) hereof hereby assigns and transfers to the Bank

(i) all of the Company's rights under a licence agreement between the Company and Imperial Chemical Industries PLC dated May 4, 1973 and March 24, 1981 and the rail car leases described in the Eighth Schedule hereto (the "Assigned Contracts");

(ii) all other benefits of the Assigned Contracts including, without prejudice to the generality of the foregoing, the right to give such notices and to take such action under such contracts as may be necessary to cause any sums of money which will or may be paid to or become payable to the Company under such contract to become payable to the Bank; and

(iii) the right to pursue any action, proceeding, suit or arbitration arising in relation to any of the rights assigned to the Bank pursuant to this Paragraph 2(c) and to enforce such rights and contracts in the name of the Company or of the Bank;

all of the property and assets of the Company described in the foregoing provisions of this Paragraph 2 being hereinafter collectively referred to as the "Mortgaged Property".

TO HAVE AND TO HOLD the Mortgaged Property and all rights hereby conferred unto the Bank, its successors and assigns, forever, for the uses and purposes and with the powers and authorities and subject to the terms and conditions in the Principal Debenture and herein set forth.

The last day of the term of each lease, verbal or written, or any agreement therefor, now held or hereafter acquired by the Company as part of the Mortgaged Property, is hereby and shall be excepted out of the mortgages, charges and assignments hereby intended to be created and does not and shall not form part of the Mortgaged Property, but the Company shall stand possessed of the reversion remaining in the Company of any leasehold interest forming part of the Mortgaged Property upon trust for the purposes of the Principal Debenture as supplemented

and amended by this Supplemental Debenture and to assign and dispose of the same as the Bank shall, for such purposes, direct. Upon any sale or sales of such leasehold interest or any part thereof, the Bank, for the purpose of vesting the aforesaid residue of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other person or persons a new trustee or trustees of the aforesaid residue of any such term or renewal thereof in the place of the Company and to vest the same accordingly in the new trustee or trustees so appointed free and discharged from any obligation respecting the same.

3. The Principal Debenture, as supplemented and amended by this Supplemental Debenture, and the mortgages and charges created and provided thereby are hereby ratified, confirmed and preserved in all respects.

4. The Supplemental Debenture shall enure to the benefit of and be binding upon the Bank, its successors and assigns, and upon the Company, its permitted successors and assigns.

5. This Supplemental Debenture shall bear the formal date of September 18, 1986, being the actual date of the execution hereof.

6. This Supplemental Debenture shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

7. The Company shall from time to time when so directed by the Bank execute, acknowledge and deliver by its proper officers indentures, deeds and documents supplemental hereto which shall thereafter form part hereof and do and perform any and all other acts and things for the purpose of mortgaging and charging in favour of the Bank as part of the security, the right, title and interest of the Company in and to all property mortgaged, charged or pledged to the Bank under the Principal Indenture as supplemented and amended by this Supplemental Debenture and for the purpose of perfecting such mortgages and charges.

IN WITNESS WHEREOF the Company has caused its corporate seal to be affixed duly attested by its proper officers in that behalf, the 18th day of September, 1986.

ALBERTA GAS CHEMICALS LTD.

Per: _____
Senior Vice President

Per: _____ c/s
Vice President Finance

SCHEDULE 1

	<u>Office</u>	<u>Jurisdiction</u>	<u>Date</u>	<u>Number</u>
1.	Land Titles	Alberta	February 24, 1981	81103339
2.	Central Registry	Alberta	January 28, 1981	117271
3.	Corporate Registry	Alberta	January 28, 1981	--

SCHEDULE 2

The south west quarter of Section fourteen (14), in Township Thirteen (13), Range Six (6), West of the Fourth Meridian, containing 64.7 hectares (160 acres) more or less.

Excepting:

<u>Plan</u>	<u>Number</u>	<u>Hectares</u>	<u>Acres</u>
Subdivision	8010307	0.579	1.43

Reserving unto Her Majesty all mines and minerals

SCHEDULE 3

NIL

SCHEDULE 4

1. 3806 Box Springs Road, Medicine Hat, Alberta
2. 1995 1st Street West, North Vancouver, British Columbia
3. 1000 Rue McArthur, Valleyfield, Quebec
4. 64 Arrow Road, Weston, Ontario

SCHEDULE 5

<u>Quantity</u>	<u>Acquired</u>	<u>Make</u>	<u>Road Numbers</u>
48	September 1, 1978	Procor	AGCX 10000 - AGCX 10031 AGCX 10033 - AGCX 10044 AGCX 10046 - AGCX 10049
176	November 1, 1981	Hawker Siddley	AGCX 10050 - AGCX 10079 AGCX 10081 - AGCX 10117 AGCX 10119 - AGCX 10120 AGCX 10122 - AGCX 10133 AGCX 10135 - AGCX 10229

SCHEDULE 6

NIL

SCHEDULE 7

NIL

SCHEDULE 8

NIL

This is Part 1 of Schedule B to the Amended Credit Agreement made the 18th day of September , 1986 between Alberta Gas Chemicals Ltd. and Bank of Montreal

o , 19o

GRID NOTE

PRIME RATE LOAN

For value received, the undersigned hereby acknowledges itself indebted to Bank of Montreal (the "Bank") and promises to pay to the Bank or order at the branch of the Bank at 10199 101 St., Edmonton, Alberta, Canada, T5J 3Y5 or as otherwise directed in writing by the Bank, on demand and in the manner provided for in a certain agreement as amended and restated by an amended credit agreement (the "Agreement") made the 18th day of September, 1986 between the undersigned and the Bank, the unpaid principal balance of all Canadian Dollar Advances made by the Bank to the undersigned. The date and amount of each Canadian Dollar Advance made by the Bank and the date and amount of each repayment of principal thereof received by the Bank shall be recorded on the grid which is on the reverse of this Note (or any continuation thereof) and the aggregate principal amount shown on such grid shall, in the absence of error which the Borrower can demonstrate to the reasonable satisfaction of the Bank, be conclusive evidence of the principal amount owing and unpaid on this Note. The failure to record any such amount on such grid shall not, however, limit or otherwise affect the obligations of the undersigned hereunder to repay the principal amount of all Canadian Dollar Advances together with interest accruing thereon.

This Note shall bear interest in accordance with the Agreement, both before and after demand, default and judgment, until paid.

This Note evidences indebtedness incurred under, and is subject to the terms and provisions of, the Agreement and all amendments thereto. To the extent that the terms of this Note and those of the Agreement conflict, the latter shall prevail. All initially capitalized terms used herein and not otherwise defined have the meanings given to them in the Agreement.

ALBERTA GAS CHEMICALS LTD.

Per:
Title:

c/s

Per:
Title:

This is Part 2 of Schedule B to the Amended Credit Agreement made the 18th day of September, 1986 between Alberta Gas Chemicals Ltd. and Bank of Montreal

o , 19o

GRID NOTE

U.S. BASE RATE LOAN

For value received, the undersigned hereby acknowledges itself indebted to Bank of Montreal (the "Bank") and promises to pay to the Bank or order at the branch of the Bank at 10199 101 St., Edmonton, Alberta, Canada, T5J 3Y5 or as otherwise directed in writing by the Bank, on demand and in the manner provided for in a certain agreement as amended and restated by an amended credit agreement (the "Agreement") made the 18th day of September, 1986 between the undersigned and the Bank, the unpaid principal balance of all United States Dollar Advances made by the Bank to the undersigned. The date and amount of each such United States Dollar Advance made by the Bank and the date and amount of each repayment of principal thereof received by the Bank shall be recorded on the grid which is on the reverse of this Note (or any continuation thereof) and the aggregate principal amount shown on such grid shall, in the absence of error which the Borrower can demonstrate to the reasonable satisfaction of the Bank, be conclusive evidence of the principal amount owing and unpaid on this Note. The failure to record any such amount on such grid shall not, however, limit or otherwise affect the obligations of the undersigned hereunder to repay the principal amount of all United States Dollar Advances together with interest accruing thereon.

This Note shall bear interest in accordance with the Agreement, both before and after demand, default and judgment, until paid.

This Note evidences indebtedness incurred under, and is subject to the terms and provisions of, the Agreement and all amendments thereto. To the extent that the terms of this Note and those of the Agreement conflict, the latter shall prevail. All initially capitalized terms used herein and not otherwise defined have the meanings given to them in the Agreement.

ALBERTA GAS CHEMICALS LTD.

Per :
Title:

os

Per:
Title:

This is Part 3 of Schedule B to the Amended Credit Agreement made the 18th day of September, 1986 between Alberta Gas Chemicals Ltd. and Bank of Montreal

o , 19o

GRID NOTE

U.S. LIBOR LOAN

For value received, the undersigned hereby acknowledges itself indebted to Bank of Montreal (the "Bank") and promises to pay to the Bank or order at the branch of the Bank at 10199 101 St., Edmonton, Alberta, Canada, T5J 3Y5 or as otherwise directed in writing by the Bank, on demand and in the manner provided for in a certain agreement as amended and restated by an amended credit agreement (the "Agreement") made the 18th day of September, 1986 between the undersigned and the Bank, the unpaid principal balance of all United States Dollar Advances made by the Bank to the undersigned on which interest is from time to time accruing at a rate based on the LIBO Rate. The date, amount, interest rate and Interest Period of each such United States Dollar Advance made by the Bank and the date and amount of each repayment of principal thereof received by the Bank shall be recorded on the grid which is on the reverse of this Note (or any continuation thereof) and the aggregate principal amount shown on such grid shall, in the absence of error which the Borrower can demonstrate to the reasonable satisfaction of the Bank, be conclusive evidence of the principal amount owing and unpaid on this Note. The failure to record any such amount on such grid shall not, however, limit or otherwise affect the obligations of the undersigned hereunder to repay the principal amount of all United States Dollar Advances together with interest accruing thereon.

This Note shall bear interest in accordance with the Agreement, both before and after demand, default and judgment, until paid.

This Note evidences indebtedness incurred under, and is subject to the terms and provisions of, the Agreement and all amendments thereto. To the extent that the terms of this Note and those of the Agreement conflict, the latter shall prevail. All initially capitalized terms used herein and not otherwise defined have the meanings given to them in the Agreement.

ALBERTA GAS CHEMICALS LTD.

Per:
Title:

c/s

Per:
Title:

This is Schedule "C" to the Amended Credit Agreement Between Alberta Gas Chemicals Ltd. and Bank of Montreal dated September 18, 1986

CORPORATE GUARANTY

THIS CORPORATE GUARANTY is dated as of the ____ day of September, 1986, by and between Alberta Gas Chemicals Inc., a New Jersey corporation, a wholly-owned subsidiary of Alberta Gas Chemicals Ltd., an Alberta corporation ("Corporate Guarantor") and Bank of Montreal, a chartered bank of Canada ("Lender").

RECITALS

WHEREAS pursuant to the terms of a proposed agreement (the "Amended Credit Agreement") between Alberta Gas Chemicals Ltd. ("AGCL") and Bank of Montreal (the "Bank"), the Bank has agreed to restructure the repayment obligations of AGCL under (i) a term credit agreement dated January 27, 1981 (the "Term Credit Agreement"); (ii) a production loan facility pursuant to letters dated December 19, 1983, October 30, 1984 and April 29, 1985; and (iii) an operating facility pursuant to a letter dated April 8, 1982 (collectively, the "Facilities");

AND WHEREAS the obligation of the Bank to enter into the Amended Credit Agreement is conditional upon, inter alia, the Corporation guaranteeing the obligations of AGCL under the Facilities as amended, which obligations are embodied in the Amended Credit Agreement;

AND WHEREAS but for certain temporary waivers granted by the Bank under the Term Credit Agreement, AGCL would now be in default of its obligations thereunder;

AND WHEREAS AGCL is a major supplier to the Corporation and the Corporation considers it to be in the best interests of the Corporation to ensure the continued financial viability of AGCL;

AND WHEREAS the Corporation is a wholly-owned subsidiary of AGCL;

AND WHEREAS it is deemed expedient and in the best interests of the Corporation that it execute and deliver the Guarantee and that it perform its obligations thereunder.

NOW THEREFORE, in order to induce Lender to execute the Amended Credit Agreement and for good and valuable consideration, receipt of which is hereby acknowledged, the undersigned unconditionally guarantees and agrees as follows:

1. Corporate Guaranty. Until all sums owed to Lender under the Amended Credit Agreement have been paid in full and all the Borrower's obligations under the Amended Credit Agreement have been fully performed, the Corporate Guarantor unconditionally agrees to and hereby does guarantee the payment of, and shall

pay to the order of Lender all sums and any other amounts owed by the Borrower under and pursuant to the Amended Credit Agreement.

This guaranty is irrevocable, unconditional and absolute, and if for any reason whatsoever the obligations of the Borrower under the Amended Credit Agreement shall not be paid in accordance with the provisions thereof, whether at maturity or by acceleration or otherwise, then this Corporate Guaranty shall continue to be in effect in accordance with the provisions hereof, the Corporate Guarantor shall pay the same to Lender regardless of the validity or enforceability of the Amended Credit Agreement, and regardless of any defenses or rights of set-off or counterclaims which the Borrower may have or assert, and regardless of whether Lender shall have enforced or taken any steps to enforce any rights against the Borrower, or any other person or shall have foreclosed, realized on or enforced or taken any steps to foreclose, realize on or enforce any security for the payment of the obligations under the Amended Credit Agreement, and regardless of any other contingency, event or condition whatsoever.

The obligations of the Corporate Guarantor under this Corporate Guaranty shall not be reduced or discharged by any amendment, modification or renewal of the Amended Credit Agreement, or any documents delivered pursuant thereto (the "Loan

Documents"), changes in the terms of disbursement of the Amended Credit Agreement or the Loan Documents, proceeds or repayment thereof, modifications, extensions or renewals or payment dates, releases or subordinations of security or releases of other parties that may be secondarily liable in whole or in part, changes of interest rate, or the discretionary advance of additional funds by Lender as Lender deems necessary or desirable to perfect, complete, repair, preserve or enforce the security for the Amended Credit Agreement or the Loan Documents or to enforce any of Lender's rights and remedies under the Amended Credit Agreement or the Loan Documents and applicable law.

2. Corporate Guaranty Independent; Other Corporate Guaranties.

- (a) This Corporate Guaranty is a separate obligation of the Corporate Guarantor independent of the obligations of the Borrower under the Amended Credit Agreement. A separate action may be brought to enforce the provisions hereof whether or not the Borrower is made a party to such action, and without prejudice to any rights and remedies of Lender to proceed under the power of sale provisions in any mortgage, deed of trust or other instrument or agreement.

(b) The Corporate Guarantor's obligation hereunder shall be in addition to any other guarantees heretofore given or hereafter to be given by the Corporate Guarantor to Lender, and this Corporate Guaranty shall in no way affect such other guarantees, unless and only to the extent that any such other guarantee is expressly nullified or revoked in writing in accordance with the terms of such guarantee. The liability of the Corporate Guarantor to Lender shall at all times be measured as the aggregate liability of the Corporate Guarantor under the terms of this Corporate Guaranty and any other guarantees heretofore given and not cancelled or hereafter given by the Corporate Guarantor.

3. Event of Default. If the Corporate Guarantor shall fail to perform or observe any term, covenant or agreement contained herein and such failure shall be impossible for the Corporate Guarantor to remedy or which shall remain unremedied for 10 days after the Corporate Guarantor becomes aware thereof (whether by notice from the Bank or otherwise) or if any representation or warranty made by the Corporate Guarantor herein shall prove to have been incorrect in any material respect when made, such events shall constitute events of default hereunder and shall entitle Lender to exercise any remedies available under the Amended Credit Agreement or available hereunder.

4. Waivers.

- (a) The Corporate Guarantor, to the extent it may legally do so, waives any right now or hereafter existing requiring Lender as a condition to proceeding against the Corporate Guarantor hereunder, to (i) proceed against the Borrower or any other person; (ii) proceed against or exhaust any security held from the Borrower or from any other person; (iii) pursue any other remedy in Lender's power; (iv) accelerate the indebtedness and sums owing Lender under the Amended Credit Agreement; or (v) give notice of the terms, time and place of any public or private sale of personal property collateral or security held from the Borrower or any other person, or comply with any provisions of N.Y. Uniform Commercial Code, Subsection 9-504 (1964), as amended or recodified from time to time. The Corporate Guarantor, to the extent it may legally do so, waives all rights and defenses arising by reason of Lender not acting in a commercially reasonable manner with respect to the personal property collateral that secures the Amended Credit Agreement and this Corporate Guarantee. THE CORPORATE GUARANTOR WAIVES ALL RIGHTS AND DEFENSES ARISING BY REASON OF ANY DISABILITY OR OTHER DEFENSE OF THE BORROWER OR BY REASON OF THE CESSATION FROM ANY CAUSE WHATSOEVER OF

THE LIABILITY OF THE BORROWER OTHER THAN FULL PAYMENT OF ALL SUMS OWING THE LENDER UNDER THE AMENDED CREDIT AGREEMENT AND FULL PERFORMANCE OF ALL THE BORROWER'S OBLIGATIONS THEREUNDER.

- (b) Until the payment in full of all sums owing Lender under the Amended Credit Agreement and the full performance of all obligations of the Borrower under the Amended Credit Agreement, the Corporate Guarantor shall not have any right of subrogation and further waives all rights to enforce any remedy which Lender now has or may hereafter have against the Borrower, and waives the benefit of, and all rights to participate in, any security now or hereafter held by Lender from the Borrower or any other person or entity.
- (c) The Corporate Guarantor, to the extent it may legally do so, waives the benefits of any statute of limitations affecting the liability of the Corporate Guarantor hereunder or the enforcement hereof as amended or recodified from time to time, and agrees that any repayment of the obligations guaranteed hereunder or other act which tolls any statute of

limitations applicable thereto shall similarly operate to toll such statute of limitations applicable to any Corporate Guarantor's liability hereunder.

(d) The Corporate Guarantor shall not assert the bankruptcy of the Borrower as a defense to its obligations hereunder, and further agrees that in the event a bankruptcy court orders or causes a rescission or revision of the Loan Agreement, or releases the Borrower from any of its obligations under the Amended Credit Agreement, the Corporate Guarantor shall remain fully liable hereunder. The Corporate Guarantor waives any rights or defenses it may otherwise have pursuant to any action by Bank under 11 U.S.C. Section 364 and 1111(b)(2) (the Federal Bankruptcy Code), as amended or recodified from time to time.

(e) The obligations of the Corporate Guarantor hereunder are absolute and unconditional, and no modification, extension or renewal of the Borrower's obligations under the Amended Credit Agreement, whether with or without the consent of the Corporate Guarantor, and no occurrence of any nature, including without limitation any cause beyond the Borrower's control, shall excuse

the Corporate Guarantor's performance hereunder or provide an extension of time during which such performance is to occur.

(f) The Corporate Guarantor waives any right to require Lender to make any presentments, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonor, notices of default or delinquency, notices of acceleration or of any facts that may provide Lender with the right to acceleration or of any facts that may provide Lender with the right to accelerate, notices of non-payment, notices of the amounts from time to time owing Lender under the Loan Agreement or any other facts that may come to Lender's attention regarding the financial position of the Borrower or notice of acceptance of this Corporate Guaranty.

(g) The Corporate Guarantor waives all rights to and benefits under any defense based on or arising out of any defense the Borrower may have to payment under the Amended Credit Agreement or to performance of any of the covenants or obligations to be performed under the Amended Credit Agreement.

(h) The Corporate Guarantor waives all rights and benefits under any statute or rule of law requiring the holder or holders of any promissory note to pursue the maker thereof, any security which said holder or holders may hold or any other remedy before proceeding against the Corporate Guarantor.

(i) The Corporate Guarantor waives, to the extent applicable, all suretyship and guarantor's defenses.

5. Interest and Attorneys' Fees. Any amount required to be paid by the Corporate Guarantor to Lender pursuant to the terms hereof shall bear interest at the rate pertaining to such amount as specified in the Amended Credit Agreement which interest shall accrue from the date due in accordance with the Amended Credit Agreement and shall be payable upon Lender's demand. If Lender is required to pursue any remedy against the Guarantor hereunder, or against the Borrower in connection with the Amended Credit Agreement, the Corporate Guarantor shall pay to Lender upon demand, all reasonable fees and expenses of Lender's counsel and all other related costs incurred by Lender in connection therewith.

6. Automatic Lien and Setoff. In addition to all liens upon, and rights of setoff against the moneys, securities or other property of the Corporate Guarantor given to Lender by law, Lender shall have a lien upon and a right of setoff against all moneys, securities and other property of the Corporate Guarantor now or hereafter in the possession of or on deposit with Lender, whether held in general or special account, or for safekeeping or otherwise. Every such lien and right of setoff may be exercised without demand upon or notice to the Corporate Guarantor. No lien or right of setoff shall be deemed to have been waived by any act or conduct on the part of Lender, or by any neglect to exercise such right of setoff or to enforce such lien, or by any delay in so doing, and every right of setoff and lien shall continue in full force and effect until such right of setoff or lien is specifically waived or released by any instrument in writing executed by Lender.

7. No Waiver. Forbearance by Lender from pursuing any remedy hereunder or under the Amended Credit Agreement shall not constitute a waiver by Lender of its right to pursue such remedy on the basis of a subsequent breach, nor shall it discharge the Corporate Guarantor from its obligations under this Corporate Guaranty. No extension, modification, amendment or renewal of the Amended Credit Agreement shall serve to waive the provisions

hereof or discharge the Corporate Guarantor from any obligation herein contained except to the extent expressly provided by Lender in writing.

8. Subordination; Security Interest.

- (a) The Corporate Guarantor subordinates to the payment in full of the obligations guaranteed hereunder, and the satisfaction of the obligations of the Borrower arising under the Amended Credit Agreement, all "Indebtedness", owing to the Corporate Guarantor from the Borrower. The term Indebtedness is used in this Corporate Guaranty in the broadest and most comprehensive sense and includes any and all advances, debts, obligations and liabilities of the Borrower to the Corporate Guarantor, whether now existing or hereafter contracted, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined and whether the Borrower may be liable individually or jointly with others. The Corporate Guarantor agrees (i) to make no claim for payment of the Indebtedness until all sums owing Lender under the Amended Credit Agreement have been paid in full and all obligations of the Borrower to Lender arising under the Amended Credit Agreement shall have been

duly discharged; (ii) not to assign all or any portion of the Indebtedness while this Corporate Guaranty remains in effect except upon prior written notice to Lender by which the assignee of any such Indebtedness agrees that the assignment is made subject to the terms of this Corporate Guaranty, and that any attempted assignment of such Indebtedness in violation of the provisions hereof shall be void; and (iii) all or any portion of the Indebtedness shall be received by the Corporate Borrower as trustee for Lender and promptly be paid over to Lender for the account of the Amended Credit Agreement and all sums owing Lender under the Amended Credit Agreement, without reducing or affecting in any manner the liability of the Corporate Guarantor under this Corporate Guaranty. Notwithstanding the foregoing, any Indebtedness owing by the Borrower for Indebtedness incurred in the ordinary course of business shall not be subject to this Section until the occurrence of an event of default, at which time this Section shall apply to such Indebtedness. The term Indebtedness shall include, for greater certainty, equipment leases, inter-company loans, inter-company overhead allocations, or sales of property (real or personal) or inventory between the Borrower and the Corporate Guarantor.

- (b) The Corporate Guarantor grants to Lender an ongoing security interest in all of the Indebtedness and evidence of the Indebtedness. The Corporate Guarantor shall upon demand by Lender from time to time: (i) execute and file any particular financing and continuation statements in order to perfect Lender's security interest in all or any part of the Indebtedness; and (ii) endorse and deliver to Lender any and all notes or other instruments evidencing all or any part of the Indebtedness.

9. Notification of Adverse Changes. The Corporate Guarantor shall promptly advise Lender in writing of (i) any actions, suits or proceedings pending or to its knowledge threatened, at law or in equity, before any court, commission, agency or instrumentality, involving the possibility of judgments, penalties or liabilities against the Corporate Guarantor, which might have a material and adverse effect on the Corporate Guarantor's financial position or the Corporate Guarantor's ability to perform its obligation hereunder; and (ii) any material and adverse change in the business or financial position of the Corporate Guarantor.

10. Consideration. The Corporate Guarantor acknowledges that it has entered into this Corporate Guaranty at the request of the Borrower and in consideration for Lender entering into

the Amended Credit Agreement and that Lender would not enter into the Amended Credit Agreement were it not for the Corporate Guarantor's execution and delivery of this Corporate Guaranty. The Corporate Guarantor acknowledges that the consideration provided by Lender hereunder is fair and adequate.

11. Representations and Warranties. The Corporate Guarantor makes the following representations and warranties which shall survive the execution of this Agreement:

- (a) The Corporate Guarantor has received copies of the Amended Credit Agreement and is familiar with the terms and conditions thereunder.
- (b) The most recent financial statements and the most recent quarterly financial statements of the Corporate Guarantor and the balance sheets of the Borrower as of _____, 1986, copies of which have been heretofore delivered to Lender, are complete and correct and present fairly the financial condition of the Corporate Guarantor and the Borrower, respectively, as at such dates and the results of their operations for the periods ended on such date, and for the balance sheets as at _____, 1986, make such presentation of financial condition in accordance with generally

accepted accounting principles, and since _____, 1986, there has been no material and adverse change in such condition or operations of the Borrower or the Corporate Guarantor.

- (c) Neither the execution nor delivery of this Corporate Guaranty nor compliance with the terms hereof will conflict with or result in the breach of any law, statute or regulation, nor will it constitute a material breach or default under any agreement or instrument to which the Corporate Guarantor is a party.

12. Severability If any provision of this Corporate Guaranty shall for any reason be determined by a court of competent jurisdiction (and sustained on appeal, if any) to be unenforceable by Lender in any respect, such unenforceability shall not affect any other provisions thereof, and this Corporate Guaranty shall be construed as if such unenforceable provision has not been contained therein; provided, if any provision of this Corporate Guaranty shall be unenforceable by reason of a final judgment of a court of competent jurisdiction (and sustained on appeal, if any) based upon such court's ruling that said provision is unenforceable because of the unenforceable degree or magnitude of the obligation imposed thereby, said unenforceable obligation shall be reduced in magnitude or degree by the minimum amount necessary in order to provide the maximum

degree or magnitude of rights which are enforceable by Lender, and this Corporate Guaranty shall be automatically and retroactively amended accordingly to contain such maximum degree or magnitude of said obligation which is enforceable by Lender, rather than the more burdensome but unenforceable original obligation. As used herein, "unenforceable" is used in the broadest and most comprehensive sense and includes the concepts of void and voidable.

13. Miscellaneous.

- (a) Time is of the essence hereof.
- (b) All capitalized terms which are not otherwise defined herein shall have the same definition as in the Amended Credit Agreement.
- (c) Lender need not inquire into the authority of the Corporate Guarantor, or of its officers, directors, partners or agents acting or purporting to act on behalf of the Corporate Guarantor, or into the validity or the formation of the Corporate Guarantor. The Corporate Guarantor has entered into this Corporate Guaranty in reliance upon the professed exercise of such requisite authority, and shall not be released from any of the obligations under this Corporate Guaranty because of any lack or failure of such authority.

(d) This Corporate Guaranty may be executed in one or more counterparts and each such counterpart shall have the same force and effect as the fully executed Corporate Guaranty.

16. Counterparts. This Corporate Guaranty may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned has executed this Corporate Guaranty as of the day and year first above written.

GUARANTOR:

ALBERTA GAS CHEMICALS INC.

a New Jersey corporation

By: _____

Its: _____